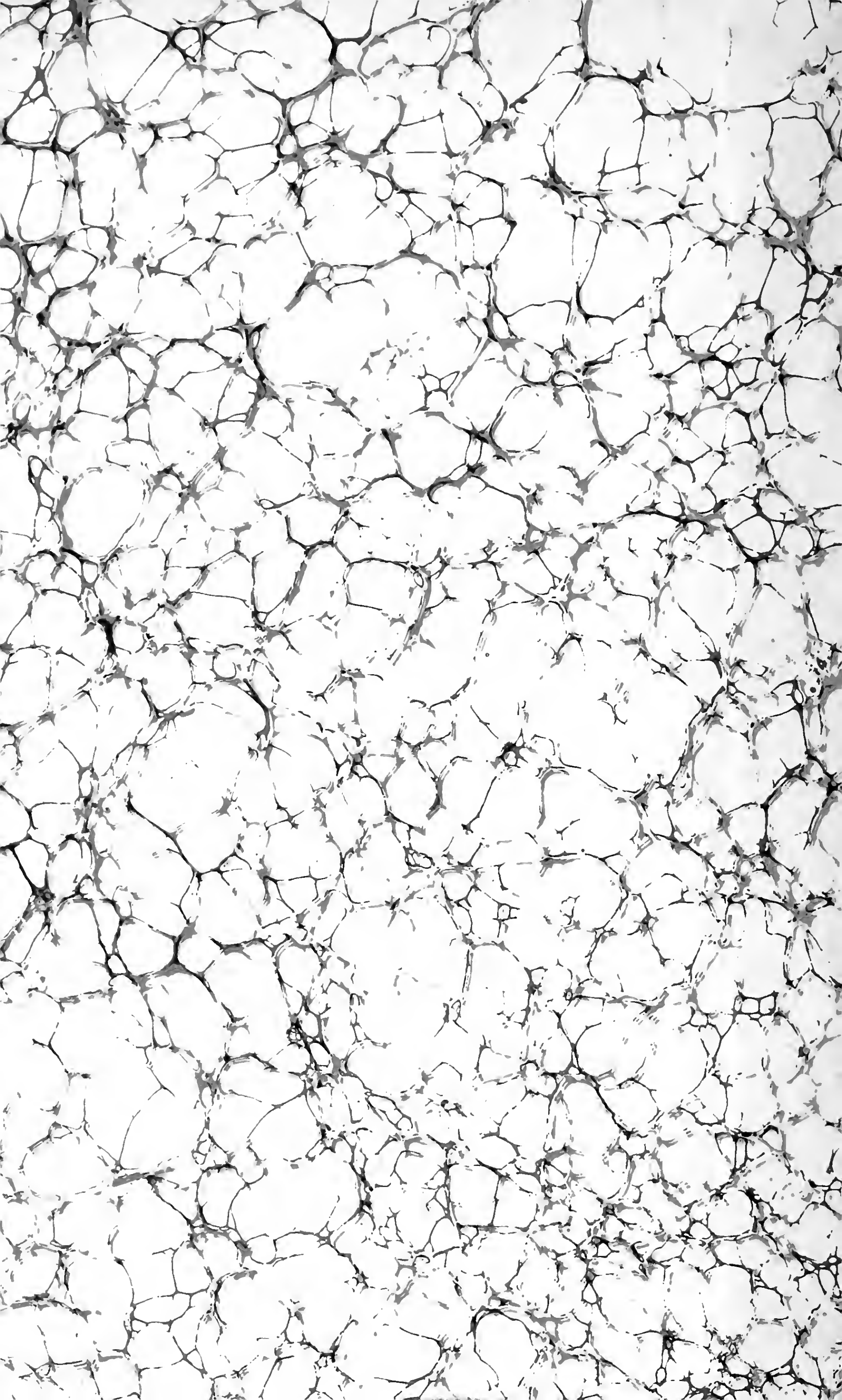

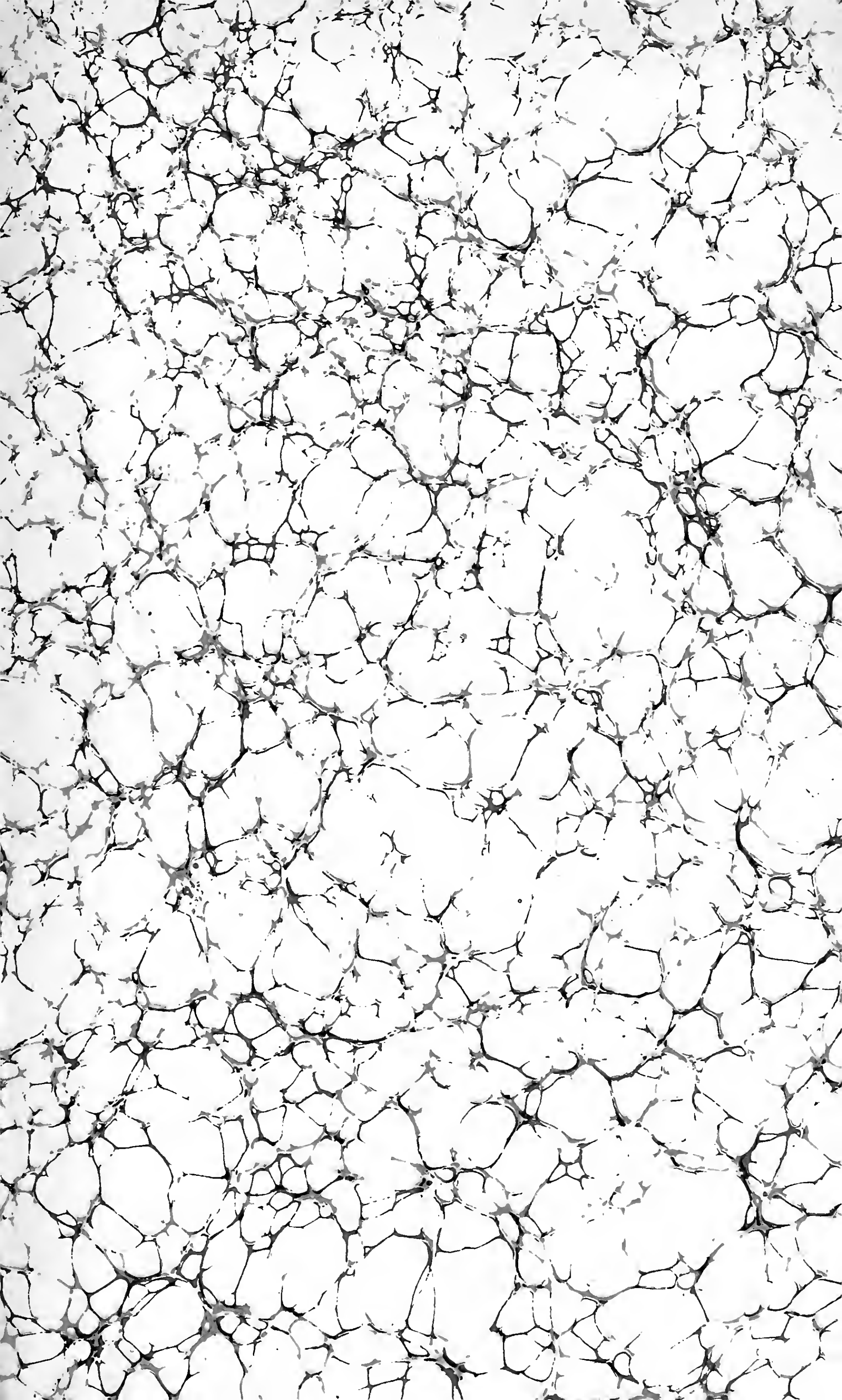

INCOME TAX IN CANADA

AND OTHER DOMINION AND PROVINCIAL TAXES

Prepared

For the

Joint Committee on Internal Revenue Taxation

By

ANDRÉ BERNARD

Legislative Reference Service, Library of Congress

H. H. B. MEYER, *Director*

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Ex. C. R.	Exchequer Court Reports.	D. L. R.	Dominion Law Reports.

[1] In the chapter on income, the abbreviation, R. S. 1927, refers to the Revised Statutes of Canada, 1927, ch. 97.

LETTER OF TRANSMITTAL

Congress of the United States,
Joint Committee on Internal Revenue Taxation,
Washington, June 19, 1934.

To Members of the Joint Committee on Internal Revenue Taxation:

There is transmitted herewith a report on "Income Tax in Canada", as prepared by Mr. André Bernard, of the Legislative Reference Service, Library of Congress, with the cooperation of our staff.

The report covers not only the income tax of Canada but contains a description of other Dominion taxes and of the principal provincial taxes. It is believed that a study of this report will be helpful in considering the possibilities of improving our own system of taxation.

Very truly yours,

R. L. Doughton, *Chairman.*

LETTER OF SUBMITTAL

CONGRESS OF THE UNITED STATES,
JOINT COMMITTEE ON INTERNAL REVENUE TAXATION,
Washington, June 19, 1934.

Hon. ROBERT L. DOUGHTON,
Chairman Joint Committee on Internal Revenue Taxation, Washington, D.C.

MY DEAR CHAIRMAN: There is transmitted herewith a manuscript entitled "Income Tax in Canada," submitted by Mr. H. H. B. Meyer, Director of the Legislative Reference Service, Library of Congress, and prepared by Mr. André Bernard of the staff of that service.

On July 12, 1928, there was transmitted to the chairman of this committee a manuscript entitled "Income Tax in Great Britain." This manuscript was also prepared by Mr. André Bernard and was printed in accordance with House Resolution 195, Seventieth Congress, first session (H. Doc. No. 332).

Pursuant to the instructions of the committee, this office is continually engaged in studying foreign tax systems and comparing them with our own in the hope of discovering helpful ideas which might be applicable to our system. It is recommended that the manuscript on the Canadian taxes transmitted herewith be printed as a report to this committee, thus forming a second volume of a foreign-tax series by Mr. Bernard. The manuscript contains a complete and up-to-date discussion of the income tax imposed by the Dominion of Canada and also a description of the other principal taxes imposed by the Dominion and its provinces. The work should be valuable not only to this committee and its staff but also to all students of taxation who desire a knowledge of Canadian taxes. It contains many statistics of income reported and taxes collected.

In order that this letter may serve as a brief introduction to this manuscript, an attempt will be made to state some of the more important facts in connection with the Canadian tax system, from the point of view of a resident of this country who desires to compare the Federal system with the Canadian system.

INCOME TAX

The first fact that will impress the reader is that the Canadian income tax has much greater similarity to the Federal income tax than to the British income tax in respect to the burden on the individual taxpayer. This is plainly shown by the following table,

computed for a married person with no dependents, whose income is all derived from salary:

Comparison of income-tax burden on individual

[Married man, no dependents, all earned income]

Net income before deduction of personal exemption	Total income tax			Net income before deduction of personal exemption	Total income tax		
	United States	Canada	United Kingdom [1]		United States	Canada	United Kingdom [1]
$1,000			$7.99	$20,000	$1,589	$2,173.50	$4,839.96
$2,000			100.29	$50,000	8,869	10,069.50	18,469.91
$3,000	$8	$30.00	280.29	$70,000	16,104	16,390.50	29,019.91
$4,000	44	70.00	460.29	$80,000	20,494	19,866.00	34,490.16
$5,000	80	120.00	640.29	$100,000	30,594	27,447.00	45,667.16
$10,000	415	546.00	1,677.64	$1,000,000	571,394	527,131.50	614,225.16

[1] Conversion unit £1=$4.86.

It will be observed from the above table that the income-tax burden in Great Britain is much greater than in either the United States or Canada. This is especially true in cases of smaller income, where the tax burden in Great Britain is many times the burden upon individuals with equal incomes in the United States and Canada. It will be noted that there is no great disparity in the tax burden when we compare the United States and Canada. In Canada the taxes are slightly higher on net incomes up to $70,000 and somewhat lower in the case of net incomes larger in amount. The personal exemption allowed a single man in Canada is $1,000, as in the United States. In the case of a married man, the personal exemption is $2,000, compared with $2,500 in the United States. The credit for dependents in both countries is $400, but in Canada children are allowed the exemption up to the age of 21, while in the United States no credit is allowed for children over 18.

The outstanding difference between the income tax of Canada and the income tax of the United States is in regard to the treatment of capital gains and losses. These are taken into account in the computation of net income in the United States, while in Canada the English system is followed and such capital gains and losses are disregarded. It is believed that the English and Canadian system, disregarding these gains and losses, gives their income tax more stability than is the case with our own system. This can be readily seen in the following comparison of Federal, Canadian, and British income-tax receipts:

[Millions of dollars]

Fiscal year	United States	Canada	Great Britain [1]	Fiscal year	United States	Canada	Great Britain [1]
1923	1,691	72.7	1,936	1929	2,331	59.9	1,436
1924	2,842	59.0	1,724	1930	2,410	69.2	1,443
1925	1,761	59.0	1,746	1931	1,860	71.1	1,583
1926	1,974	56.7	1,652	1932	1,057	61.3	1,782
1927	2,220	48.1	1,482	1933	747	62.0	1,528
1928	2,175	57.5	1,521				

[1] Conversion unit £1=$4.86.

While the above figures show on their face the instability of our income-tax revenues and the stability of the British and Canadian revenues from the same source, it may be interesting to analyze the results in terms of percentages, as follows:

(1) The minimum British income-tax revenue in the last 11 years was collected in 1929, when it amounted to $1,436,000,000; the maximum revenue was collected in 1923, when it amounted to $1,936,000,000. Thus, the maximum annual revenue from income tax was only 35 percent above the minimum revenue.

(2) The minimum Canadian income-tax revenue in the last 11 years was collected in 1927, when it amounted to $48,100,000; the maximum revenue was collected in 1923, when it amounted to $72,700,000. Thus, the maximum annual revenue from income tax was only 51 percent above the minimum revenue.

(3) The minimum Federal income-tax revenue in the last 11 years was collected in 1933, when it amounted to $747,000,000; the maximum revenue was collected in 1924, when it amounted to $2,842,000,000. Thus, the maximum annual revenue from income tax was 280 percent above the minimum revenue.

It is true that the Canadian revenues from income tax fluctuate somewhat more than the British revenues. This is undoubtedly because in Great Britain a greater proportion of tax is collected from the small-salaried man. Great weight should be given to the stability of the Canadian revenue over our own inasmuch as the personal exemptions are approximately the same in both countries. The fact that capital gains and losses are not taken account of in Canada must be one of the principal causes of the greater stability observed in the Canadian income-tax receipts.

The tax burden on corporations is practically the same in Canada as in the United States. In Canada a flat-tax rate of 12½ percent is imposed, while in the United States a flat-tax rate of 13¾ per cent is imposed. Canada permits the filing of consolidated returns but in such a case imposes a rate of 13½ percent. The United States permits consolidated returns only in the case of railroad companies and in that case imposes a rate of 15¾ percent.

The descriptions of the customs duties, the sales tax, and the special taxes of the Dominion as given in the report are all worthy of note. It should be observed that the Dominion levies no inheritance tax and that this field of taxation is left to the Provinces. From the description of the provincial taxes given in the report, it is obvious that there is some duplication of taxation between the Dominion Government and that of the Provinces. However, it appears that there is less of such duplication in Canada than is the case in the United States.

On the whole, Canada seems to have a well balanced tax system, and it is believed that the report submitted by Mr. Bernard gives important data for consideration in connection with tax legislation in this country.

Very respectfully,

L. H. Parker, *Chief of Staff.*

LIBRARY OF CONGRESS,
Washington, June 11, 1934.

MR. L. H. PARKER,
Chief Division of Investigation, Joint Committee on Internal Revenue Taxation, House Office Building, Washington, D.C.

DEAR MR. PARKER: I take pleasure in forwarding to you herewith, for the use of the Joint Committee on Internal Revenue Taxation, the study on income tax in Canada, prepared by Mr. André Bernard, a member of the Legislative Reference Service staff, at the request of the joint committee.

Very truly yours,

H. H. B. MEYER,
Director Legislative Reference Service.

NOTE BY THE AUTHOR

Grateful acknowledgment is herewith made to the Dominion Minister of National Revenue and to the Dominion Commissioners of Income Tax, Customs, and Excise, for their kindness in supplying material and in reading the manuscript. The cooperation of the Provincial tax authorities, who supplied specific material, is likewise acknowledged.

The services of Mr. Robert C. Lowe, formerly of the staff of the Legislative Reference Service, who assisted in the preparation of the manuscript, deserve special mention. An expression of thanks is also due to other members of the Legislative Reference Service staff for their helpful suggestions.

PART I

HISTORY OF DOMINION TAXATION

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PART I.—HISTORY OF DOMINION TAXATION [1]

Both under the French regime and in the earlier part of the British, the territorial or casual revenues of Canada, consisting of certain seignorial dues and the proceeds of the sale of Government timber and land, were reserved to the Crown, while the right of levying taxes and of regulating the trade and commerce of the colony was, after 1763, deemed to be vested in the British Parliament.

By the Quebec Act of 1774, certain duties on spirits and molasses were imposed, to be expended by the Crown in order to provide a revenue "toward defraying the expenses of the administration of justice and the support of the civil government of the Province." A little later, in 1778, the British Government, by the Declaratory Act (18 Geo. III, c. 12), renounced forever the right of taxing the colonies to provide imperial revenue, but maintained its claim to impose duties considered necessary for the regulation of trade, the proceeds to go toward defraying the expenditures of the colonial administration. After the Constitutional Act of 1791, the customs duties remained under the control of the Imperial Government, their revenue, as well as the territorial revenue above mentioned, coming in to the executive administration independently of the legislative assembly and thus making the executive power largely independent of the legislature. In case these revenues proved insufficient, recourse could generally be had to the grant made by the Imperial Government for the support of the Army. As time went on, however, the Crown revenues became more and more inadequate to meet the increasing expenditure, while the wave of economy in Great Britain after 1815, made it impossible any longer to supplement these revenues from military sources. On the other hand, the purely provincial revenues collected under the authorization of the provincial legislature showed an increased surplus. The power of the purse thus began to pass into the hands of the legislatures; further, in 1831, the British Parliament passed an act placing the customs duties at the disposal of the legislatures.

Under the Act of Union,[2] a consolidated revenue fund was established. All appropriation bills were required to originate in the legislative assembly, which was forbidden to pass any vote, resolution, or bill involving the expenditure of public money unless the same had first been recommended by a written message of the Governor General. The British Government surrendered all control of the hereditary or casual revenues, which were thenceforth paid into the treasury of the province to be disposed of as its legislature should direct.

At the interprovincial conferences which took place prior to confederation, it was decided that the new Dominion Government, which was to take over permanently, as its chief source of revenue, the customs and excise duties that had yielded the greater part of

[1] Source: The Canada Year Book, 1933, p. 821–825.
[2] British North America Act, 1867.

the revenues of the separate provinces (direct taxation being as unpopular in British North America as in other new countries), was also to assume the provincial debts and to provide out of Dominion revenues definite cash subsidies for the support of the provincial governments. Until the World War, which made other taxes necessary, the customs and excise revenue constituted the chief resource of the Dominion Government for general purposes—the post-office revenues and the government railway receipts, which are not taxes at all, being mainly or entirely absorbed by the expenses of administering those services. Indeed, for many years preceding the war, customs and excise duties, together with the revenue from the head tax on Chinese immigrants, were the only items of receipts which were classified as taxes by the Department of Finance; miscellaneous revenue, largely fees, constituted a comparatively small fraction of the total revenue. As both customs and excise were indirect, the average Canadian felt but little the pressure of taxation for Dominion purposes.

The World War enormously increased the expenditure, and this increase had in the main to be met by loans. It is, however, a cardinal maxim of public finance that, where loans are contracted, sufficient new taxation should be imposed to meet the interest charge upon the loans and to provide a sinking fund for their ultimate extinction. This war taxation was begun in Canada within the first weeks of the war when, in the short session of August 1914, increases were made in the customs and excise duties on various commodities, including coffee, sugar, spirituous liquors, and tobacco. In 1915 special additional duties of 5 percent ad valorem were imposed on commodities imported under the British preferential tariff [3] and 7½ percent ad valorem on commodities imported under the intermediate and general tariffs, certain commodities being excepted. New internal taxes were also imposed on bank circulation, on the income of trust and loan companies, on insurance in other than life and marine companies, on telegrams and cablegrams, railway tickets, sleeping-car berths, etc., also on checks, postal notes, money orders, letters, and post cards. In 1916 the business profits war tax [4] was introduced, and in 1917 an income tax was imposed. In 1918 both of these taxes were increased and their application widened, and in 1919 the income tax was again increased, and still further augmented in 1920 by a surtax of 5 percent of the tax on incomes of $5,000 and over; the sales tax was also introduced in that year. The cumulative result of these war taxes was that between 1921 and 1927 these taxes yielded more than the customs and excise taxes. However, since 1928 the situation has been reversed; the customs and excise taxes bring in more revenue than the so-called "war taxes."

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[3] For a historical sketch of tariff preference in Canada, see Tariff Preference in Great Britain and British Possessions (71st Cong., 1st sess., S. Doc. No. 31), 1929; Gilchrist, Empire Tariff Preferences on Canadian Goods, 2d ed., Ottawa, 1930.

[4] Repealed in 1921.

Part II

DOMINION INCOME TAX

INCOME TAX LAWS IN FORCE

Income War Tax Act (Revised Statutes of Canada, 1927, ch. 97).
18–19 Geo. V, ch. 12, 30 (1928).
20–21 Geo. V, ch. 24 (1930).
21–22 Geo. V, ch. 35 (1931).
22–23 Geo. V, ch. 43, 44 (1932).
23–24 Geo. V, ch. 14, 15, 41 (1932–33).
24–25 Geo. V, ch. 55 (1934).

PART II.—INCOME TAX

1. HISTORY [1]

In the 1917 session of Parliament the Income War Tax Act (ch. 28) imposed a tax of 4 percent on incomes exceeding $1,500 in the case of unmarried men and widows and widowers without children, and on incomes exceeding $3,000 in the case of other persons. A supertax was also imposed, progressing from 2 percent on the amount by which an income exceeded $6,000 but did not exceed $10,000 up to 25 percent on the amount by which an income exceeded $100,000. These provisions applied to 1917 income.

In the session of 1918, the Income War Tax Act, as amended by chapter 25, lowered the limit of exemption to $1,000 for unmarried persons and childless widows and widowers, and to $2,000 for other persons, the former paying 2 percent on incomes between $1,000 and $1,500, the latter 2 percent on incomes between $2,000 and $3,000; an additional $200 exemption was granted for each child under 16,[2] dependent on the taxpayer for support. The normal tax remained at 4 percent, but the supertax was increased on incomes exceeding $200,000 being graduated up to 50 percent on incomes exceeding $1,000,000. A surtax was also introduced, ranging from an additional 5 percent of the combined normal tax and supertax on incomes between $6,000 and $10,000 to an additional 35 percent of the normal and supertax on incomes exceeding $200,000, corporations to pay a tax of 6 percent on incomes exceeding $3,000, but no supertax or surtax. These provisions applied to 1918 income.

In the 1919 session, the Income War Tax was amended by chapter 55, which increased the general rate of taxation. All corporations paid 10 percent of their net income in excess of $2,000 as against 6 percent under the former act. In respect of individuals, the normal rate of 4 percent was to be levied on all incomes exceeding $1,000, but not exceeding $6,000, in the case of unmarried persons and widows or widowers without dependent children, and upon all incomes exceeding $2,000 but not exceeding $6,000 in the case of all other persons, the respective minima of $1,000 and $2,000 being exempt from taxation; an additional exemption of $200 was allowed for each child under 18 years, dependent upon the taxpayer for support. A normal tax of 8 percent was levied on the excess of all incomes over $6,000. The surtax was imposed on a progressive scale on all incomes of over $5,000, applying first at the rate of 1 percent on the amount by which the income exceeded $5,000 and did not exceed $6,000; then at the rate of 2 percent on the amount by which the income exceeded $6,000 and did not exceed $8,000; then at a rate increasing by 1 percent for each $2,000 increase of income up to $100,000, so that 48 percent was levied on the amount by which the income exceeded $100,000 and did not exceed $150,000; 56 percent on the excess between $150,000 and $200,000; 60 percent on the excess between $200,000 and $300,000;

[1] Sources: The Canada Year Book, 1926, pp. 756–759; 1927–28, p. 808; 1933, pp. 823–824; Statutes of Canada, 1917–34.

[2] In 1919 the age limit was raised to 18 and made to apply to the year 1918.

63 percent on the excess between $300,000 and $500,000; 64 percent on the excess between $500,000 and $1,000,000; 65 percent on the excess income over $1,000,000. These provisions applied to 1919 income.

In the session of 1920, chapter 49 amended the Income War Tax Act in the following particulars: (1) Empowered the Minister of Finance to determine deficits and losses, with retroactive effect to 1917; (2) taxing dividends or shareholders' bonuses; (3) taxing income from an estate or accumulating in trust, with retroactive effect to 1917; (4) increasing (as from 1919) by an additional 5 percent on the combined amount of the normal tax and surtax on incomes of $5,000 or more; (5) requiring that one-quarter tax be forwarded with return, the balance being payable, if desired, in three bimonthly installments with interest at 6 percent; (6) imposing severe penalties for default.

In 1921 no changes occurred. In 1922 the Income War Tax Act was amended by chapter 25. The normal rate was to be 4 percent on incomes of from $2,000 to $6,000 in the case of a married person or one having dependent upon him any of the following: A parent or grandparent, daughter or sister, or a son or brother under 21 and physically or mentally incapable of self-support; the additional exemption for each child under 18 dependent upon the taxpayer for support was increased from $200 to $300. For all other persons the normal tax was 4 percent on incomes from $1,000 to $6,000. These provisions applied to 1922 income.

In 1923, by chapter 52, the Income War Tax Act of 1917 was amended to provide (with retroactive effect to 1917) that a taxpayer's income should be deemed to be not less than his income from his chief occupation; that a reasonable rate of interest on borrowed capital might be deducted from his income, this provision applying to 1921 and subsequent income; that the incomes of consuls, consuls-general, and officials of other countries whose duties require them to reside in Canada, should be exempted from taxation if such countries grant reciprocal privileges to resident Canadian officials; other amendments deal with notices of appeals and the recovery of moneys due in taxation.

In 1924, chapter 46 amended the Income War Tax Act of 1917 by increasing the additional exemption allowed for each child from $300 to $500; another amendment aimed at the prevention of evasion of the tax by intercompany purchases or sales at more or less than fair prices where the companies concerned are associated in business; provisions were also made with regard to incomes of nonresidents carrying on business in Canada, effective in 1923 and subsequent years, to incomes of partnerships, with retroactive effect to 1921 income, and liens for income tax, effective in 1924.

In 1925, by chapter 46, the lien for income tax enacted in 1924 was repealed.

In 1926, chapter 10, amending the income tax, raised the exemption limit from $2,000 to $3,000 in the case of married persons or those with dependents, and from $1,000 to $1,500 in the case of other persons. The rates of taxation were also reduced all along the line, those with incomes of $5,000 or less paying only 2 percent instead of 4 percent or more of their taxable income, the income tax of a married person without dependents being reduced from $619.50 to $290 on an income of $10,000 and from $3,024 to $2,530 on an income of $25,000. The rate of taxation of corporate incomes was reduced from 10 to 9 percent. These provisions were applicable to 1925 income.

In the session of 1927 the rate of the graduated income tax was reduced by 10 percent. The $500 exemption for children was extended to include those under 21 (instead of 18) years of age dependent upon the taxpayer for support. These provisions applied to 1926 income.

In 1928 the rate of the graduated income tax on individuals was reduced by a further 10 percent of the 1926 tax, so that an individual paid only 80 percent of what he would have paid on the same income 2 years before. Similarly, the rate of taxation on the income of corporations and joint-stock companies, which had been 10 percent 2 years before and 9 percent in 1927, was reduced to 8 percent on incomes in excess of $2,000. The $500 exemption for children was further extended to include this exemption for sons and daughters over 21 dependent upon the taxpayer for support on account of mental or physical infirmity. These provisions applied to income of 1927.

In 1929 no changes occurred in the income tax. In 1930 bona fide cooperative organizations, government or like annuities (to the extent of $5,000), and donations to churches, schools, and hospitals (to a maximum of 10 percent of the net income of the taxpayer) were exempted from income tax, and the $500 exemption for children was extended to cover certain dependent relatives suffering from mental or physical infirmity. These provisions applied to 1929 income.

In 1931 the rate of income tax applicable to corporations and joint-stock companies on amounts in excess of $2,000 was increased from 8 to 10 percent. This provision applied to 1930 income.

In April 1932 the income tax was raised to 11 percent on corporations and joint-stock companies. In the case of personal incomes, the deduction of 20 percent formerly allowed from the tax payable under the established schedule of rates was repealed; a surcharge of 5 percent was made on tax paid on net incomes over $5,000 and the exemptions were reduced from $3,000 to $2,400 for married persons, and from $1,500 to $1,200 for single persons. These changes applied to 1931 incomes.

In the session of 1932–33 the income-tax rates were increased throughout. The graduated rates of tax applicable to individuals were increased to 3 percent on the first $1,000 up to 56 percent on income over $500,000, and the 5-percent surtax on incomes over $5,000 was continued. The rate of tax applicable to corporations and joint-stock companies on amounts in excess of $2,000 was repealed, and such corporations and companies are now liable to a tax of 12½ percent, except when they file a consolidated return, in which case the rate of tax is 13½ percent. A special surtax of 5 percent on resident debtors and nonresident creditors was levied, while on royalties paid to nonresidents paying no tax in Canada there was assessed (as from 1933) a tax of 12½ percent. The exemption of war pensions was repealed, and the exemptions for married persons were reduced from $2,400 to $2,000, and for single persons from $1,200 to $1,000. The exemption for children and dependent relatives was reduced from $500 to $400. These provisions applied to income of 1932 and subsequent years.

In 1934 no changes were made in the schedules of income tax rates and exemptions. The 5 percent tax on interest and dividends was retained for another year. Minor amendments adopted dealt

with rents, royalties, annuities or other like periodical receipts; operations outside Canada; interest on succession duties; interest received by a nonresident parent company; nonresident beneficiaries; the exemption of dividends to a nonresident parent company; income from estates and trusts; premiums on shares redeemed; the taxation of surplus distribution; the taxation of personal corporations on nonresident shareholder's interest; advances to nonresident corporations; nonresidents carrying on business in Canada; and transfers to minors. Most of these provisions were made to apply to income of 1933.

2. SCOPE OF THE TAX

Income defined.—For the purpose of income tax the term "income" means "the annual[3] net profit or gain or gratuity, whether ascertained and capable of computation as being wages, salary, or other fixed amount, or unascertained as being fees or emoluments, or as being profits from a trade or commercial or financial or other business or calling, directly or indirectly received by a person from any office or employment, or from any profession or calling, or from any trade, manufacture, or business, as the case may be, whether derived from sources within Canada or elsewhere, and shall include the interest, dividends,[4] or profits directly or indirectly received from money at interest upon any security or without security, or from stocks, or from any other investment,[5] and whether such gains or profits are divided or distributed or not, and also the annual profit or gain from any other source, including the income from but not the value of property acquired by gift, bequest, devise, or descent; and including the income from but not the proceeds of life insurance policies paid upon the death of the person insured, or payments made or credited to the insured on life insurance endowment or annuity contracts upon the maturity of the term mentioned in the contract or upon the surrender of the contract,[6] and any payment to any employee out of any employees' superannuation or pension fund or plan, and including the salaries, indemnities, or other remuneration of members of the Senate and House of Commons of Canada and officers thereof, members of provincial legislative councils and assemblies and muncipal councils, commissions, or boards of management, any judges of any Dominion or provincial court appointed after the passing of this act,[7] and of all other persons whatsoever, whether the said salaries, indemnities, or other remuneration are

[3] The word "annual" in section 3 of the act is used to mean all profits during the year. The seven different classes of subjects mentioned in the said section, following the definition of income, as "the annual net profit or gain or gratuity," are not exhaustive, but are only there by way of illustration and not as limiting the foregoing language of the act, as these provisions are further supplemented by the words "and also the annual profit or gain from any other sources." (*Morrison* v. *Min. of Nat. Rev.*, 1928 Ex.C.R. 75.)

An amount received by the insured on a policy of use and occupany insurance in respect of loss on net profits is taxable as income, and the amount received on the same policy, covering fixed charges, should be applied to reduce the deduction made for the fixed charges actually disbursed (*B.C. Fir, Ltd.* v. *Min. of Nat. Rev.* 1930 Ex.C.R. 59).

[4] Dividends include stock dividends (bonus shares).

[5] In determining the question of liability of profits realized by trust, loan, and mortgage companies from the purchase and sale of all stocks, the Commissioner of Income Tax has ruled as follows:

"Such companies, being primarily companies designed and organized to secure an habitual revenue from bonds and mortgages and services, the income derived from such sources will be taxable, including the effective rate of revenue from the purchase of bonds or mortgages at a discount, presuming always that the investment of such companies would always be 51 percent in revenue-bearing securities, and that consequently the acquirement of preferred and common stock and the profit or loss derived from the purchase and sale thereof shall not be regarded as income to this company but rather as capital loss or gain as the case may be." (Income tax ruling of Dec. 9, 1929, Canadian Chartered Accountant, Jan. 1930, p. 252).

[6] On the liability of group insurance, see ruling of the Commissioner of Income Tax, Appendix I, p. 93.

[7] Sept. 20, 1917.

paid out of the revenue of His Majesty in respect of his Government of Canada, or of any Province thereof, or by any person." [8]

Income includes also "rents, royalties, annuities, or other like periodical receipts which depend upon the production or use of any real or personal property, notwithstanding that the same are payable on account of the use or sale of any such property." [9]

In cases in which personal and living expenses form part of the profit, gain, or remuneration of the taxpayer they are assessed as income.[10]

Income from an illegal source has been held not taxable.[11]

Persons taxable.—Income tax is payable on the income of any person—

(i) Residing or ordinarily residing in Canada; or

(ii) Who remains in Canada during any calendar year for a period or periods equal to 183 days; or

(iii) Who is employed in Canada; or

(iv) Who, not being a resident of Canada, is carrying on business in Canada; or

(v) Who, not being a resident of Canada, derives income for services rendered in Canada otherwise than in the course of regular or continuous employment, for any person resident or carrying on business in Canada.[12]

"Person" includes any body corporate and politic and any association or other body, and the heirs, executors, administrators, and curators, or other legal representatives of such person, according to the law of that part of Canada to which the context extends.[13]

"Employed in Canada" means regularly or continuously employed to perform personal services, any part of which is performed in Canada, for salary, wages, commissions, fees, or other remuneration, whether directly or indirectly received, derived from sources within Canada.[14]

Persons residing or having their head office or principal place of business outside of Canada, but carrying on business in Canada, either directly or through or in the name of any person, are liable in respect of the net profit arising from business in Canada.[15]

Where a nonresident person in whole or in part produces, grows, mines, creates, manufactures, fabricates, improves, packs, preserves, or constructs anything within Canada and exports the same without sale prior to the export thereof, he shall be deemed to be carrying on business in Canada and to earn within Canada a proportional part of any profit ultimately derived from the sale thereof outside of Canada. The Minister of Finance shall have full discretion as to the manner of determining such proportionate part.[16]

Any nonresident soliciting orders or offering anything for sale in Canada through an agent or employee, and whether any contract or transaction which may result therefrom is completed within Canada or without Canada, or partly within and partly without Canada, or any nonresident who lets or leases anything used in Canada, or who

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[8] R.S. 1927, sec. 3 The reservation of royalty, operating as an exception, in favor of the vendor is not taxable income (*Spooner* v. *Min. of Nat. Rev.*, 1931 S.C.R. 399).

[9] R. S. 1927, sec. 3, as amended by ch. 55, 1934. This amendment to the definition of income is merely for the purpose of clarification. The courts have held that where a person sells his property for a share of the profits of a business, such share of the profits bears the character of income in the vendor's hands.

[10] R.S. 1927, sec. 3.

[11] *Smith* v. *Att. Gen.*, 1925 S.C.R. 405.

[12] R.S. 1927, sec. 9.

[13] R.S. 1927, sec. 2.

[14] R.S. 1927, sec. 2.

[15] R.S. 1927, sec. 24.

[16] R.S. 1927, sec. 26.

receives a royalty or other similar payment for anything used or sold in Canada, shall be deemed to be carrying on business in Canada and to earn a proportionate part of the income derived therefrom in Canada. The Minister of Finance shall have full discretion as to the manner of determining such proportional part.[17]

Assessment.—The tax is payable on the income of the preceding calendar year. Thus the tax assessable and payable in 1918, the first year in which the tax was payable, was in respect of the income for the year ended December 31, 1917. In the notices of assessment, however, the only year referred to is the income year, and it is understood that the assessment is regarded as being for the income year, and not for the year in which the tax is payable.[18]

3. RATES [19]

A. *Rates applicable to persons other than corporations and joint-stock companies (normal tax)*

Net income or any portion thereof in excess exemptions	Rate of tax percent per bracket	Amount of tax on maximum income	Net income or any portion thereof in excess of exemptions	Rate of tax percent per bracket	Amount of tax on maximum income
First $1,000	3	$30	$55,000 to $60,000	30	$13, 100
$1,000 to $2,000	4	70	$60,000 to $65,000	31	14, 650
$2,000 to $3,000	5	120	$65, 000 to $70,000	32	16, 250
$3,000 to $4,000	6	180	$70, 000 to $75,000	33	17, 900
$4,000 to $5,000	7	250	$75, 000 to $80,000	34	19, 600
$5,000 to $6,000	8	330	$80, 000 to $85,000	35	21, 350
$6,000 to $7,000	9	420	$85, 000 to $90,000	36	23, 150
$7,000 to $8,000	10	520	$90, 000 to $95,000	37	25, 000
$8,000 to $9,000	11	630	$95, 000 to $100,000	38	26, 900
$9,000 to $10,000	12	750	$100, 000 to $110,000	39	30, 800
$10,000 to $11,000	13	880	$110, 000 to $120,000	40	34, 800
$11,000 to $12,000	14	1, 020	$120, 000 to $130,000	41	38, 900
$12,000 to $13,000	15	1, 170	$130, 000 to $140,000	42	43, 100
$13,000 to $14,000	16	1, 330	$140, 000 to $150,000	43	47, 400
$14,000 to $15,000	17	1, 500	$150,000 to $175,000	44	58, 400
$15,000 to $16,000	18	1, 680	$175,000 to $200,000	45	69, 650
$16,000 to $17,000	19	1, 870	$200,000 to $225,000	46	81, 150
$17,000 to $18,000	20	2, 070	$225,000 to $250,000	47	92, 900
$18,000 to $19,000	21	2, 280	$250,000 to $275,000	48	104, 900
$19,000 to $20,000	22	2, 500	$275,000 to $300,000	49	117, 150
$20,000 to $25,000	23	3, 650	$300,000 to $325,000	50	129, 650
$25,000 to $30,000	24	4, 850	$325,000 to $350,000	51	142, 400
$30,000 to $35,000	25	6, 100	$350,000 to $375,000	52	155, 400
$35,000 to $40,000	26	7, 400	$375,000 to $400,000	53	168, 650
$40,000 to $45,000	27	8, 750	$400,000 to $450,000	54	195, 650
$45,000 to $50,000	28	10, 150	$450,000 to $500,000	55	223, 150
$50,000 to $55,000	29	11, 600	Over $500,000	56	----------

B. Normal tax applicable to nonresidents who are not British subjects: [20] On all income over $1,000 ---------- 8 percent.

C. Surtax applicable to individuals in receipt of income in excess of $5,000:

In respect of such excess income (excluding income exempt as hereinafter stated [21]) ---------- 5 percent of normal tax.

[17] R.S. 1927, sec. 27, as amended by ch. 55, 1934, sec. 14. The Governor in Council may exempt nonresidents where reciprocal arrangements have been entered into between Canada and any other country.

[18] Income Taxes in the British Dominions (2d ed., p. 107).

[19] R.S. 1927, schedule 1, as amended by ch. 41, 1932-33. For the rates since the inception of the tax, see table 6, p. 36.

[20] Income War Tax Act, 1917, office consolidation 1933, sec. 29. This tax "shall come into operation at a day to be named by proclamation of the Governor in council, and the Govenor in council may name in the said proclamation the taxation periods to which the said subsection shall apply." This tax, which was provided for by ch. 25, 1922, sec. 4, has not yet been levied.

[21] See p. 13.

D. Corporations and joint-stock companies, except as next hereinafter provided [22] ---------- 12½ percent.

E. Corporations and joint-stock companies which file a return consolidating their profit or loss with that of their subsidiaries: [22]
  On the consolidated income of such corporation or company and its subsidiaries ---------- 13½ percent.

F. Special surtax on resident debtors (except municipalities or municipal or public bodies performing a function of Government [23]):
  In respect of all interest and dividends paid by Canadian debtors, directly or indirectly, to persons resident in Canada, in a currency which is at a premium in terms of Canadian funds ---------- 5 percent.

G. Special surtax on nonresident creditors: [24]
  In addition to any other tax, in respect of—
  (*a*) Dividends received from Canadian debtors irrespective of the currency in which payment is made, and
  (*b*) Interest received from Canadian debtors if payable solely in Canadian funds (except interest from war bonds of, or guaranteed by, the Dominion);
  (*c*) Interest received by a nonresident parent company from a Canadian subsidiary company; [24]
  (*d*) Income received from any Canadian estate or trust by nonresidents ---------- 5 percent.

H. Payments or royalties paid to nonresidents not paying taxes in Canada for anything not used or sold in Canada: [25]
  On the amount of such royalties ---------- 12½ percent.

4. EXEMPTIONS AND ABATEMENTS [26]

(A) TOTAL EXEMPTIONS

The following incomes are not liable to taxation:

Governor General of Canada.—(*a*) The income of the Governor General of Canada.[27]

Foreign and British officials in Canada.—(*b*) The income of consuls and other officials of a foreign country, Great Britain, or any of its self-governing dominions, if their duties require them to reside in Canada and they are not engaged in any other calling, provided such officials are citizens of the country they represent, and that that country grants a similar exemption to officials of the Government of Canada.[28]

Provincial or municipal undertakings.—(*c*) The income of any company, commission, or association of which at least 90 percent of the stock or capital is owned by a province or municipality.[29]

Trade, agricultural, educational, etc., organizations.—(*d*) The income of boards of trade, chambers of commerce, labor organizations,

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[22] Prior to 1932, corporations were exempt on the first $2,000 of their income.

[23] R.S. 1927, sec. 9 B(2), as enacted by ch. 41, 1932–33, and amended by ch. 55, 1934, secs. 5 and 6. Exemption from the special 5 percent surtax on nonresidents is allowed in the case of dividends paid by Canadian commercial companies whose shares are wholly owned by a nonresident parent company, irrespective of whether the shares of the Canadian commercial company are owned direct by the nonresident parent company or through the intermediary of a wholly owned Canadian subsidiary holding company.

[24] The interest paid by a Canadian subsidiary to a nonresident parent company was, until 1934, allowed as an expense of the Canadian company. Since the 5-percent tax on interest payable solely in Canadian funds but payable to nonresidents was imposed, nonresident parent companies in control of Canadian subsidiaries were avoiding payment of the 5 percent tax by stipulating that the interest should be payable by the wholly owned Canadian subsidiary in a currency other than Canadian. The law was amended in 1934 to correct this method of avoiding the tax.

[25] R.S. 1927, sec. 27, as amended by ch. 41, 1932–33, sec. 12. This tax is "applicable to income of the 1933 taxation period and fiscal periods ending therein and of all subsequent periods."

[26] The onus of proving that an income is exempt from taxation under the act is upon the one claiming such exemption (*Kennedy* v. *Min. of Nat. Rev.*, 1928 Ex.C.R. 36). For the principal exemptions applicable from 1917 to 1934, see table 6, p. 33

[27] R.S. 1927, sec. 4 (a).

[28] R.S. 1927, sec. 4 (b) and (c).

[29] R.S. 1927, sec. 4 (d).

religious, charitable, agricultural, and educational institutions, and benevolent and fraternal beneficiary societies.[30]

Mutual corporations.—(*e*) The income of mutual corporations not having a capital represented by shares where no part of the income inures to the profit of any member, and of life-insurance companies except such amount as is credited to shareholders' accounts.[31]

Clubs.—(*f*) The income of clubs and social-welfare societies organized for nonprofitable purposes, no part of the income of which inures to the benefit of any stockholder or member.[32]

Farmers' associations.—(*g*) The income of such insurance, mortgage, or loan associations operated solely for the benefit of farmers as approved by the Minister.[33]

Dominion tax-exempt securities.—(*h*) The income derived from any bonds or securities of the Dominion issued exempt from any income tax imposed by the Parliament of Canada.[34]

Foreign corporations.—(*i*) The income of incorporated companies (except personal corporations), whose business is not only carried on but whose assets, also, are situate entirely outside of Canada. In order to determine those companies which qualify for the exemption, an annual return must be filed, and a filing fee of $100 paid.[35]

War pensions.—Exemption of disability and other pensions arising from the World War, was repealed by chapter 41, section 3, 1932–33.

Municipal assessments.—Assessments for municipal improvements are exempt from income tax.[36]

Foreign shipping profits.—Exemption from tax extends to profits from operating ships owned or operated by a nonresident (individual or corporation), if the country where such nonresident resides grants an exemption to profits earned therein from operating ships owned or operated by an individual or corporation resident in Canada which in the Minister's opinion is "fairly reciprocal" to this Canadian exemption.[37]

Dividends received by a corporation from a Canadian or foreign corporation.—Exemption from tax is extended to dividends paid to an incorporated company (*a*) by a company incorporated in Canada the profits of which have already been taxed; (*b*) from a company incorporated outside Canada to the extent that the latter has earned

[30] R.S. 1927, sec. 4 (e) and (f).
[31] R.S. 1927, sec. 4 (g).
[32] R.S. 1927, sec. 4 (h).
[33] R.S. 1927, sec. 4 (i). The term "Minister" as used in the law, means the Minister of National Revenue.
[34] R.S. 1927, sec. 4 (j).
[35] Ch. 55, 1934, sec. 2, substituted for and repealing R.S. 1927, sec. 4 (k). Canadian incorporated companies whose business is not only carried on but whose assets, also, are situate outside of Canada are exempt from the rate imposed on corporations. In order to determine those companies for the exemption it is necessary that a return should be filed.
[36] Income tax ruling, Jan. 4, 1929 (Canadian Chartered Accountant, Mar. 1929, p. 317).
[37] R.S. 1927, sec. 4 (m), as amended by ch. 12, 1928, sec. 3. Agreements have been concluded with the following countries: United States, Greece, Sweden, Germany, Great Britain, Denmark, Norway, Japan, Netherlands, and Italy.

income within Canada and actually paid a tax in respect of such income in Canada.[38]

Cooperative organizations.—Exemption from income tax is granted to all cooperative organizations, both agricultural and commercial, whether with or without share capital, which market the products of, or purchase supplies for, their members.[39]

Cooperative provincial banks.—Banking institutions organized under cooperative provincial legislation to do business exclusively within the province and deriving their revenues from loans made primarily to members residing within the province are not assessable to tax on their income.[40]

(B) REDUCTION OF AMOUNT TO BE TAXED

Personal allowance.—A personal abatement of $1,000 is granted to every individual (other than a married person) having no one dependent upon him.

The abatement is increased to $2,000 in the case of (i) a married person;[41] (ii) a widow or widower with dependents under 21, or if over

[38] R.S. 1927, secs. 4 (n) and (o), 19, as amended by ch. 24, 1930, sec. 4, and by ch. 41, 1932–33, sec. 11. However, "on the winding-up, discontinuance, or reorganization of the business of any incorporated company, the distribution of any form of the property of the company shall be deemed to be the payment of a dividend to the extent that the company has on hand undistributed income earned in the taxation period 1930 and subsequent periods"; but such surplus distribution is not taxable in the case of "the distribution of the property of a private investment-holding company to the extent that its undistributed-income is made up of income from British and foreign securities and interest-bearing securities of Canadian debtors when the business of such holding company is and has been carried on in Canada and all of its shares (less directors' qualifying shares) are and have been beneficially owned since its incorporation by a nonresident individual or by such an individual and his wife or any member of his family or by any combination of them." "In determining the extent to which the undistributed income of any such private investment holding company on hand at the date of winding up is made up of income received by way of dividends from Canadian companies, all dividends or disbursements of such holding company which have been paid or made prior to the date of winding up shall be deemed to have been paid out of income received from British and foreign securities and interest-bearing securities of Canadian debtors" (Ch. 55, 1934, sec. 10). Where the recipient of the dividend is a company incorporated outside Canada and not carrying on business in Canada the distributing company must deduct and account for tax thereon at the rate in force for corporations in the year in which the dividend is paid.

Where the value of a share is fixed by agreement, and where a portion of the value of such share is reserve coming to each shareholder, it was held that by the mere setting up of the share value the company could not change the fact of the existence of a fund which under its bylaws could and would have been distributed as dividend, and that a shareholder receiving this sum must pay income tax on that portion of the sum which represents the distribution of the reserve or accumulated profits (*George Hope* v. *Min. of Nat. Rev.* 1929 Ex.C.R. 158).

A company, though not actively engaged in the business mentioned in its charter, is not by reason of that fact necessarily exempt from taxation, and, if it has income, such income is liable to taxation (*North Pacific Lumber, Ltd.,* v. *Min. of Nat. Rev.,* 1928 Ex.C.R. 68).

"In determining what portion of the surplus shall be deemed to be taxable on the winding up, discontinuance, or reorganization of the business of any incorporated company, according to the provisions of the above section [R.S. 1927, sec. 19, as amended by ch. 24, 1930], it has been decided that dividends paid in the fiscal year in which the company winds up shall be considered as being paid first from the current earnings of such fiscal period and the balance, if any, against the surplus existing at the commencement of such fiscal period. 'Dividends' means and includes those actually paid on declaration in the usual manner, as well as those deemed to be a dividend by virtue of sec. 19 itself, on the winding up of the company." (Income tax ruling no. 72 (1930–31), Canadian Chartered Accountant, Mar. 1931, p. 300.)

Where goodwill is written off by a company the following regulations apply:

1. Where it is charged to operation the amount will be added back for the purpose of arriving at the company's taxable income.
2. The amount charged to operation or to surplus will not be allowed in determining the amount taxable against the shareholders in the winding up, discontinuance, or reorganization of a company, in accordance with sec. 3 (9) of the act, and for this purpose due record must be kept of any items of goodwill written off.
3. The amount written off in this regard cannot be considered as a dividend to shareholders at the time of such writing off, but can only be subject to taxation as and when the company is wound up or reorganized. (Income tax ruling no. 21, Canadian Chartered Accountant, Nov. 1928, p. 186.)

[39] R.S. 1927, sec. 4, as amended by ch. 24, 1930, sec. 2. These organizations include farmers, dairymen's, livestockmen's, fruit-growers', poultrymen's, fishermen's, and other like cooperative organizations. Such organizations may benefit nonmembers provided such benefits do not exceed 20 percent of the value of the commodity marketed or purchased. The exemption extends to companies owned or controled by such cooperative organizations and organized for the purpose of financing their operations.

It has been held that the deductions for elevator and commercial reserve by a voluntary association, organized to enable its members to market their wheat or grain crops and which are but loans or advances under contract made by the farmers out of the price of their grain to the association for carrying on the business and acquiring elevators and are repayable to the grower, are not gains or profits of the association within the meaning of the income-tax act, and are not taxable as such (*Saskatchewan Co-Operative Wheat Producers, Ltd.,* v. *Min. of Nat. Rev.,* 1930 S.C.R. 402).

[40] R.S. 1927, sec. 4, as amended by ch. 24 1930, sec. 2.

[41] Where a husband and wife have each a separate income in excess of $1,000, whether taxable or not each receives an exemption of $1,000 in lieu of the exemption of $2,000. (Ch. 41, 1932–33, sec. 5.)

21, dependent because of mental or physical infirmity; (iii) an individual who maintains a domestic establishment and actually supports one or more persons related to him by blood, marriage, or adoption.

For each child or grandchild (other than a child or grandchild exempted under the provisions of the preceding paragraph) under 21 and dependent for support upon the taxpayer or over 21 and likewise dependent on account of mental or physical infirmity, there is granted an allowance of $400.

An abatement of $400 is granted as amount actually expended by a taxpayer for the support of each of the following persons (except such persons as come under the provisions of no. iii above):

(*a*) A parent or grandparent dependent on account of mental or physical infirmity;

(*b*) A brother or sister under 21 or over 21 and dependent on account of mental or physical infirmity.[42]

Election for pension fund.—In the case of a trust established in connection with, or a corporation incorporated for the administration of, an employees' superannuation or pension fund, exemption from tax accrues to the income from investment of, or certain payments from, the superannuation or pension funds (from a date at the minister's discretion), if the trustee or corporation so elects.[43]

Donations to charity in Canada.—An abatement of not over 10 percent of the net taxable income of a taxpayer is granted for donations, receipted as such, to any charitable organization in Canada operated exclusively as such, and not operated for the benefit or private gain or profit of any person, member, or shareholder thereof.[44]

Annuity contracts.—Exemption from tax accrues to the income up to $1,200 only from annuity contracts with the Dominion or provincial governments or any Canadian company effecting such contracts.[45]

Traveling expenses.—Traveling expenses (including the entire amount expended for meals and lodging) while away from home in pursuit of a trade or business are deductible from the taxable income.[46]

Succession duty interest.—No tax is leviable on interest paid in respect to succession duties or inheritance taxes.[47]

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[42] R.S. 1927, sec. 5(as amended by ch. 41, 1932–33, sec. 4.

[43] R.S. 1927, sec. 51) (h), as amended by ch. 12, 1928, sec. 6.

[44] R.S. 1927, sec. 5(1) (j), as amended by ch. 24, 1930, sec. 3. Donations made to public, social, charitable, or ecclesiastical institutions, at the request of the friends of such institutions, as well as amounts paid in the office to casual visitors for tickets to performances, lotteries, etc., under an alleged commercial practice, with the object of benefiting appellant's business, and not for charitable purposes, are not disbursements or expenses "wholly, exclusively, and necessarily made out or expended for the purposes of earning the income", and cannot be deducted from the profits and gains of the company in arriving at its taxable income (*O'Reilly & Belanger, Ltd.* v. *Min. of Nat. Rev.*, 1928 Ex.C.R. 61).

[45] R.S. 1927, sec. 5(l) (k), as amended by ch. 24, 1930, sec. 3, and by ch. 43, 1932, sec. 6. Any annuity in excess of $1,200 purchased by husband for wife or vice versa is taxable as income to the purchaser. Where each spouse has an annuity, the $1,200 exemption may be taken by either or shared between them. Annuity income must, however, be included as income in determining the exemptions provided for by the law.

[46] R.S. 1927, sec. 5(1) (f).

[47] R.S. 1927, sec. 5(i), as amended by ch. 55, 1934, sec. 4. Where the estate of a deceased person is not in a sufficiently liquid position to enable the executors to pay the succession duties or inheritance taxes within the very short time during which such duties may be paid free of interest, this provision enables the executors to obtain a deduction on account of the interest paid on such succession duties when determining the income of the estate which is liable for taxation either in the hands of the executors or of the beneficiaries.

Superannuation or pension fund.—A deduction is allowed of amounts deducted from remuneration for superannuation or pension fund.[48]

Interest on loans.—Interest on borrowed capital is allowed as a deduction only at such a rate (not greater than the rate actually payable) as is allowed by the Minister.[49]

Depreciation.—The Minister allows, in his discretion, a reasonable amount for depreciation. In determining the income derived from mining and from oil and gas wells and timber limits he must make such an allowance for the exhaustion of the mines, wells, and timber limits as he may deem just and fair.[49a]

Set-off of other taxes paid in Canada.—Except in the case of banks, a deduction is allowed from the income tax which would be otherwise payable of sums paid for taxes for corresponding accounting periods under the Special War Revenue Act, 1915.[50] No deduction of the taxes so set off is allowed in computing the taxable income.[51]

Provisions regarding double taxation.—Deduction from the tax is allowed of the amount paid to Great Britain or of any of its self-governing colonies or dependencies for income tax in respect of income derived from sources therein, and the amount similarly paid to any foreign country, if such foreign country treats Canada reciprocally, provided that such amount does not exceed the Canadian tax which would otherwise have been payable on the income in question.[52]

Partnerships.—Persons carrying on business in partnership are liable for income tax only in their individual capacity. The income

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[48] R.S. 1927, sec. 5(i) (g). Where a company retains a certain portion of the salary of an employee and itself contributes certain moneys, then the amount may be taken as deduction by both the employee and the company, provided the amounts contributed by the company are set apart and entirely severed from the company, which, to state it another way, means that the contributions of the company cannot be set up by the company itself in the nature of a reserve out of which pensions may be paid and hope to get such reserve as a deduction. The company in this latter case should not be allowed the deduction. Income arising to the trust fund from investment of its funds constitutes taxable income and should be maintained in a separate account. The Crown has no control over the trustees wherein it may require them, in effecting payment to beneficiaries, to pay so much out of its capital account and so much out of its accrued income. Amounts contributed to pension funds by companies and employees do not constitute taxable income of the trustee in charge of the fund. Sums paid out of trust funds are taxable as against the recipient. The contributions by employers and employees are admissible deductions in determining the income of the employers and employees, although they do not constitute taxable income of the fund. The interest earned and the dividends received by the fund are returnable for taxation purposes by the fund and taxed as against the trustees or company controlling the fund. The cost and expenses of administering the fund and payments to employees by way of pension are allowed as a charge against the income of the fund. (Income tax rulings nos. 10 and 10A, 1927–28, (Canadian Chartered Accountant, Jan. 1929, p. 242.)

[49] R.S. 1927, sec. 5(1) (b). Dividends paid on the fixed cumulative 8-percent redeemable preferred shares of a company are not held to be interest on borrowed capital and therefore are not an allowable deduction. (*Dupuis Frères* v. *Min. of Customs and Excise*, 1927 Ex.C.R. 207.)

[49a] R.S. 1927, sec. 5 (1) (a). The scale of depreciation is on the following basis: Frame buildings, 5 percent; brick buildings, 2½ percent; concrete or steel buildings, 2 percent; machinery, 10 percent; motor cars, 25 percent for the first year and 20 percent for each subsequent year up to 85 percent. Where a fleet of motor cars is maintained, however, they may be treated on an inventory basis like merchandise. The deduction of an allowance for depreciation does not in practice preclude the taxpayer from claiming to deduct expenditures made on account of repairs. The allowance for depreciation is by way of statutory relief while the allowance for repairs is deducted by commercial practice. But the Minister may disallow an allowance for depreciation where it is shown that repairs have kept the property in as good condition at the end as at the beginning of the years. In connection with mines, the following allowances for exhaustion are granted: Gold and silver mines, 50 percent of net profits taxable and furthermore, dividends paid are treated as exempt in the hands of the shareholders to the extent of 50 percent; copper, nickel, lead, zinc, and tin mines, 33⅓ percent if combined with gold or silver; if not so combined the rate of depreciation is 25 percent; coal mines, 10 cents per ton. In the case of oil wells, each case is treated on its own merits. The maximum rate of depreciation on buildings, plants, and equipment which may be claimable by operating mining companies is 15 percent per annum. There is no fixed practice for the allowance of depletion of timber limits (Plaxton and Varcoe, A Treatise on the Dominion Income Tax Law, 2d ed., Toronto, 1930, pp. 232–238; Canadian Chartered Accountant, Nov. 1933, p. 365).

For a fuller account of the principles of depreciation, see Appendix II, pp. 93–96.

[50] Part I of the Special Revenue Act, 1915, imposed a quarterly tax on banks of one-fourth of 1 percent on the average amount of the notes of the bank in circulation during the quarter. Part II of the same act imposed a tax, levied quarterly, on trusts and loan companies of 1 percent on the gross amount of interest on loans and investments in Canada, and of income other than interest on business transacted in Canada received by such companies. Part III imposed a tax, levied quarterly, of 1 percent on net premiums received in Canada by insurance companies other than life or marine insurance companies or fraternal benefit societies.

[51] R.S. 1927, sec. 7.

[52] R.S. 1917, sec. 8. See ruling of Commissioner of Income Tax, Appendix III, p. 96.

from the business must be returned on the basis of the business year of account. Husband and wife carrying on business together are not deemed to be partners for any purpose under income tax. The business income under such circumstances is treated as income of one of the spouses. Where the husband of a partner in a business receives a salary or other remuneration therefrom, so much of any such payment as bears a similar proportion to the wife's interest in the partnership is added to and taxable with the wife's income, or vice versa if the wife is employed by a partnership which includes her husband.[53]

(C) NONALLOWABLE DEDUCTIONS

In computing the amount of the profits or gains to be assessed no deduction is allowed in respect of—

(*a*) Disbursements or expenses not wholly, exclusively, and necessarily laid out or expended for the purpose of earning the income;[54]

(*b*) Any outlay, loss, or replacement of capital or any payment on account of capital or any depreciation, depletion, or obsolescence, except as otherwise provided in the Income War Tax Act;

(*c*) The annual value of property, real [55] or personal, except rent actually paid for the use of such property used in connection with the business to earn the income subject to taxation;

(*d*) Amounts transferred or credited to a reserve, a contingent account, or sinking fund, except such an amount for bad debts as the Minister may allow;

(*e*) Carrying charges or expenses of unproductive property or assets not acquired for the purpose of a trade, business, or calling or of a liability not incurred in connection with a trade, business, or calling;

(*f*) Personal and living expenses;

(*g*) Taxes paid under the Special War Revenue Act, 1915;

(*h*) Carrying charges of property the income from which is exempt, except to the extent that such carrying charges exceed the exempt income.[56]

(*i*) Provincial income tax.[57]

(*j*) Costs and fines imposed for carrying on business contrary to the law.[58]

5. SPECIAL PROVISIONS RELATING TO THE INCIDENCE OF THE TAX

Income from chief business.—Deficits or losses sustained in transactions entered into for profit but not connected with the chief business, trade, profession, or occupation of the taxpayer are not deducted from income derived from the chief business, trade, profession, or occupation of the taxpayer in determining his taxable income. The

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[53] R.S. 1927, secs. 30, 31.

[54] On appeal from a lieutenant governor of a Canadian Province claiming a deduction from his income of amount expended for social entertainment on the ground that such amount was properly deductible as having been necessarily laid out for the purpose of earning the income, the Exchequer Court held that the expenses claimed as a deduction herein were not "wholly, exclusively, and necessarily laid out or expended for the purpose of earning the income" within the meaning of the Income Tax Act, but were wholly voluntary and the failure to entertain could not be a cause for removal or dismissal. (In the matter of the Income War Tax Act, 1917, and amendments, in re salary of lieutenant governors, 1931 Ex.C.R. 232.)

[55] Productive and unproductive real-estate revenue and expenses will be regarded as a whole, that is to say, the rent from productive property may be reduced by the carrying charges of unproductive property, but the excess, if there be any, of carrying charges will not be allowed in reduction of other income of the taxpayer, such as interest and dividends including interest from mortgages. (Income tax ruling no. 12, Canadian Chartered Accountant, Nov. 1 28, p. 185.)

[56] R.S. 1927, sec. 6, as amended by ch. 41, 1932–33, sec. 6.

[57] *Roenisch* v. *Min. of Nat. Rev.*, 1931, Ex. C.R. 1.

[58] Income-tax ruling no. 24, Canadian Chartered Accountant, Nov. 1928, p. 187

Minister has power to determine what deficits or losses sustained in transactions entered into for profit are connected with the chief business, trade, profession, or occupation of the taxpayer, and his decision is final and conclusive.[59]

Incomes from estates and trusts.—The income, for any taxation period, of a beneficiary of any estate or trust[60] of whatsoever nature is deemed to include all income accruing to the credit of the taxpayer whether received by him or not during such taxation period. Income accumulating[61] in trust for the benefit of unascertained persons or of persons with contingent interests is taxable in the hands of the trustee or other like person acting in a fiduciary capacity, as if such income were the income of a person other than a corporation.[62]

Dividends taxable in year paid.—Dividends or shareholders' bonuses are taxable income of the taxpayer in the year in which they are paid or distributed.[63]

Undistributed profits of corporations.—In the case of any corporation which has undivided or undistributed profits, if the Minister deems that the accumulation of such profits is in excess of what is reasonably required for the purpose of the business, he may notify the corporation by registered letter of the amount of such accumulation which he considers excessive, and if such amount is not distributed during the fiscal period of the corporation in which notice is given, the shareholders are deemed to have received such amount of profits as a dividend on the last day of the said fiscal period and are taxable accordingly.[64]

Indirect distribution of surplus.—If a person owning shares in a corporation transfers any of them to a second corporation acting as his agent, trustee, or attorney or promoted at his instance or controlled by him, and the second corporation then receives a dividend from the first corporation and applies any of it, directly or indirectly (*a*) to pay for the shares purchased by it from such person, or (*b*) to discharge any liability incurred by such person by reason of the purchase of those shares, or (*c*) to repay a loan raised by the second corporation to pay for those shares, such person is taxable for such dividend as if he received it in the year that the first corporation declared it.[65]

Capitalization of undistributed income.—Where any undistributed income of a corporation is capitalized, through reorganization or through readjustment of its capital stock, the capitalized amount is deemed distributed as a dividend in the year of reorganization or

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59 R.S. 1927, sec. 10.

60 The word "trust", defined in the act, must be interpreted to mean a corporation or other body, a trust association or merger, or a combination of companies or interests created for the purpose of carrying on trust business. The income from a trust deed of donation executed in favor of a Canadian trust company for the benefit of persons residing in the United States is income "accumulating in trust for the benefit of unascertained persons or of persons with contingent interests" and taxable in the trust company's hands. (*Min. of Nat. Rev.* v. *Royal Trust Co.*, 1931 S.C.R. 485; cf. *Min. of Nat. Rev.* v. *Holden*, 1932 S.C.R. 655).

61 Held that the word "accumulating" used with the word "income" in the act is there used gerundially; that is as a verbal noun rather than as a verb; it is used just to earmark it as a fund for unascertained persons or persons with contingent interest and which is taxable in the hands of the trustee. (*James Barber McLeod* v. *Min. of Nat. Rev.*, 1932 Ex. C.R. 1).

62 R.S. 1927, sec. 11, as amended by ch. 55, 1934, sec. 7. Under the amending act: (1) The exemption of $1,000 formerly afforded a trustee accumulating income in trust was abolished; (2) the following were deemed to be taxable income: (*a*) accruals to date of death, to be taxed as income of the deceased, and dividends received by an estate or trust and capitalized, to be taxable income of the estate or trust; the purpose of these amendments was to remove any doubt as to the person against whom such income is to be taxed; and (*b*) any amount paid by an estate or trust for the upkeep, maintenance, and taxes of any property which, under the will or trust, is required to be maintained for the use of any tenant for life, such amount to be deemed taxable income received by the tenant for life. The purpose of the new provision is to remove any doubt as to the taxation of the income described and is in conformity with the decisions given by the courts.

63 R.S. 1927, sec. 12.

64 R.S. 1927, sec. 13, as amended by ch. 41, 1932–33, sec. 10.

65 R.S. 1927, sec. 14.

readjustment, and the shareholders are deemed to receive the dividend in proportion to their interest in the capital stock concerned.[66]

Capital stock reductions or redemptions.—Where a corporation having undistributed income on hand reduces or redeems any class of the capital stock or shares thereof, the amount received by any shareholder by virtue of the reduction is, to the extent to which such shareholder would be entitled to participate in such undistributed income on a total distribution thereof at the time of such reduction, deemed to be a dividend and to be income received by such shareholder.[67]

Redemption of shares at premium.—When a corporation redeems its shares at a premium, the premium is deemed to be a dividend and to be part of the shareholder's income.[68]

Loans to shareholders.—Any loan or advance from a corporation to any of its shareholders, other than a loan or advance incidental to the corporation's business, is (unless the corporation is legally empowered to make such loans) deemed to be a dividend to the extent that corporation has on hand undistributed income, and such dividend is deemed to be income of that shareholder for the year in which the loan was made.[69]

Personal corporations.—(*a*) Definition: A "personal corporation" is defined as being "a corporation or joint-stock company (no matter when or where created) controlled directly or indirectly by one person who resides in Canada, or by one such person and his wife or any member of his family, or by any combination of them, or by any other person or corporation on his or their behalf, whether through holding a majority of the stocks of such corporation, or in any manner whatsoever, the gross revenue (i.e., "the sum of the net profits from each source" of revenue) of which is to the extent of one-quarter or more derived from one or more of the following sources, namely: (i) from the ownership of or the trading or dealing in bonds, stocks, or shares, debentures, mortgages, hypothecs, bills, notes, or other similar property, or (ii) from the lending of money with or without security or by way of rent, annuity, royalty, interest, or dividend, or (iii) from or by virtue of any right, title, or interest in or to any estate or trust."[70]

(*b*) Income distributed: The income of such personal corporation, in lieu of being charged at the flat rate of tax applicable to corporations,[71] is, no matter whether it is actually distributed as dividend or not, deemed to be so distributed on the last day of each year to the shareholders, and is assessable in their hands, each shareholder's taxable portion being deemed to be such percentage of the corporation's income as the "fair value" (as at the date of transfer) of all property transferred or loaned by him (or by his predecessor in title) to the corporation is of the total value (as at the date of the acquisition thereof) of all property of the corporation acquired from the shareholders.

(*c*) Personal corporation succeeding another: Where one personal corporation is succeeded by, or transfers its property to, another

[66] R.S. 1927, sec. 15.
[67] R.S. 1927, sec. 16 (1). The provisions of this section do not apply to any class of stock which, by the instrument authorizing the issue of such class, is not entitled on being reduced or redeemed to participate in the assets of the corporation beyond the amount paid up thereon plus any fixed premium and a definite rate of dividend nor to a reduction of capital effected before Apr. 16, 1926 (sec. 16 (2)).
[68] R.S. 1927, sec. 17 as amended by ch. 55, 1934, sec. 9.
[69] R.S. 1927, sec. 18.
[70] R.S. 1927, sec. 2 (i).
[71] Supra, p. 13.

personal corporation, the shareholders of the first corporation are deemed to have transferred to the second or succeeding corporation the property which they transferred to the corporation first mentioned and where any person acquires the control of a personal corporation, he is deemed to have transferred to such corporation the property transferred thereto by its vendor.

(*d*) Dividends: Dividends declared by a personal corporation after December 31, 1924, are deemed to be paid out of income earned thereafter, so far as available, and are ignored in the method of assessment described above.[72]

(*e*) Rates of tax payable: The rates of tax applicable to corporations are payable by a personal corporation on that portion only of its income which is deemed to be distributed to nonresidents.[73]

Intercompany transactions.—Where any corporation carrying on business in Canada purchases any commodity from a parent, subsidiary, or associated corporation at a price in excess of the fair market price, or where it sells any commodity to such corporation at a price less than the fair market price, the Minister may, for the purpose of determining the income of such corporation, determine the fair price at which such purchase or sale shall be taken into the accounts of such corporation.

Companies advancing money to nonresident parent companies are deemed to have received a reasonable rate of interest for the use of the money so advanced.[74]

Transfers to evade taxation.—Where a person transfers property to a minor 18 years of age or under in any manner whatever, such person is nevertheless liable during the period of minority of the transferee (and after that period, unless the Minister otherwise decides) to be taxed on the income derived from such property or from property substituted therefor as if such transfer had not been made, unless the Minister is satisfied that such transfer was not made for the purpose of evading the income tax.

Where a husband transfers property to his wife, or vice versa, the husband or the wife, as the case may be, is nevertheless liable to be taxed on the income derived from such property or from property substituted therefor as if such transfer had not been made.[75]

6. ADMINISTRATION

1. ORGANIZATION

The Minister of National Revenue.—The Minister of National Revenue has the administration of the income-tax acts and the con-

[72] R.S. 1927, sec. 21. Held that this section dealing with personal corporations is to be construed as meaning that shareholders are to be assessed upon the company's income according to their several interests therein, and that shareholders of personal corporations thus assessed are entitled to any statutory exemptions or deductions to which ordinarily the corporation or the shareholder would be entitled (*William Allan Black* v. *Min. of Nat. Rev.*, 1932 Ex.C.R. 8).

[73] Ch. 55, 1934, sec. 11. Formerly the personal corporation paid no tax on any of its income and a nonresident shareholder was not liable on his proportion of such income. The law as amended provides that the personal corporation is liable at the rates of tax applicable to corporations on the interest of any nonresident shareholder.

[74] R.S. 1927, sec. 23, as amended by ch. 55, 1934, sec. 12. The reason for this amendment is that Canadian companies were advancing monies to nonresident parent companies and made no provision for payment of interest on the advances.

[75] R.S. 1927, sec. 32 (1), as amended by ch. 55, 1934, sec. 16. It was found that many taxpayers were transferring securities to children even a very few months of age. As such children cannot personally supervise or control the income from the securities transferred, or spend such income for their own maintenance, the transfers were quite evidently made for the purpose of reducing the income tax that would otherwise be payable by the transferors.

trol and management of the collection of the taxes imposed thereby, and of all matters incident thereto, as well as of the officers and persons employed in that service.

Commissioner of income tax.—The Minister may make any regulations deemed necessary for carrying the income-tax acts into effect, and may thereby authorize the Commissioner of Income Tax to exercise such of the powers conferred by these acts upon the Minister as may, in the opinion of the Minister, be conveniently exercised by the Commissioner of Income Tax.[76]

Income-tax officers.—Appointment of officers and other persons to carry out the income-tax acts or any order in council or regulations made hereunder is by the governor general in council, who is empowered to assign the names of office of such officers and other persons, and prescribe their salaries.[77]

Administrative organization.—The central administration of income tax is located at Ottawa. The Dominion was divided in 1933 into 19 taxation districts. At the head of each district is an inspector of taxes, assisted by assessors. On March 31, 1932, the income-tax division of the Department of National Revenue employed 1,200 persons.

2. RETURNS

Taxpayers must include in their returns the amount taxable as computed by them.

Personal returns.—Persons in receipt of gross income in excess of the statutory exemption are required to file returns, also all other persons who are requested to do so by the department. Every person liable to income tax must, on or before April 30,[78] without any notice or demand, send to the local inspector of taxation a return showing the exact amount of income tax due. Return must be made whether any tax is payable or not by persons in receipt of income over the statutory exemptions.[79] Forms are supplied on application to the local inspector of taxation and must be prepared in triplicate, two copies being forwarded and one retained by the taxpayer.[80]

Corporation returns.—In addition to the income-tax return, corporations are required to furnish returns of dividends showing particulars of dividends paid or credited during the year and the names and addresses of shareholders. This return is due on or before March 31.

A company which owns or controls all of the capital stock (less directors' qualifying shares) of subsidiary companies which carry on the same class of business, may elect to file a return in which its profit or loss is consolidated with that of its subsidiaries, in which case the tax under letter D of the schedule of rates[81] applies.[82]

Returns of trustees and other fiduciaries.—Trustees, liquidators, etc., who are dealing with the property of a person who has not made

[76] R.S. 1927, sec. 75, as amended by ch. 34, 1927, sec. 6.

[77] R.S. 1927, sec. 76.

[78] The Minister may at any time extend the time for making any return (R.S. 1927, sec. 40). If for any reason a taxpayer cannot file his return within the prescribed time, a tentative return is made. The taxpayer is required to file within 30 days thereafter a definitive return to be substituted for the tentative return submitted. In case of inability to file a return owing to illness or absence from the country, the department will accept a return of the taxpayer signed by some person as agent who is sufficiently familiar with the affairs to permit a discussion if necessary. (Note by Income Tax Division, in National Revenue Review, Apr. 1932, p. 4).

[79] Supra, p. 15.

[80] R.S. 1927, sec. 33.

[81] Supra, p. 13.

[82] R.S. 1927, sec. 35 (as amended by ch. 41, 1932–33, sec. 13, 39(2)). The returns of corporations must be signed by the president, vice president, secretary, treasurer, or a director, or in the absence of these the signature of any responsible official such as the head bookkeeper or assistant bookkeeper is accepted.

a return must make this return and pay the tax due before making any distribution of the assets. Trustees must make a return of the net income of every estate or trust showing the amount of income accruing to, and the names of each beneficiary.[83]

Returns by agents, etc., for nonresidents.—Every agent, trustee, or person who collects or receives, or is in any way in possession or control of income for or on behalf of a person residing outside Canada is required to make a return of such income.[84]

Information returns.—Information returns are required to be made to the Minister on or before March 31 in each year, without notice or demand being made therefor, by the following persons or corporate bodies:

(*a*) By all employers: A return of all persons in their employ receiving any salary or other remuneration in excess of such amount as the Minister may prescribe.

(*b*) By all persons in whatever capacity acting, having the control, receipt, disposal, or payment of fixed or determinable, or periodical gains, profits, or income of any taxpayer: A separate and distinct return to the Minister of such gains, etc., containing the name and address of each taxpayer.

(*c*) By all corporations and associations: A return of all dividends and bonuses paid to shareholders and members; and by all debtors paying interest on any fully registered bonds or debentures: a return of all interest so paid.

(*d*) By all persons in whatever capacity acting, making payment of interest, royalties, rents, annuities, compensation, remuneration or other fixed and determinable amounts (such as interest on bonds, mortgages, deeds of trust, or other similar obligations, and also payments under contracts, whether written or verbal, relating to the buying and selling and otherwise dealing in stocks, bonds, debentures, mortgages, hypothecs, and other similar securities): A true and accurate return of the amounts paid in excess of such sums as the Minister decides, together with the names and addresses of the recipients. For the purposes of the law, payment shall include amounts credited to the creditor during the fiscal period of the debtor.[85]

Demand for additional information.—The Minister may request any additional information, including documentary evidence (such as letters, financial statements, books of account, etc.) necessary to enable him to make an assessment or for any other purpose.[86]

Change of fiscal periods.—To insure uniformity the Commissioner of Income Tax has made the following ruling:[87]

1. A return which involves a change of fiscal period must not be reported for assessment purposes until the matter has been referred to the Department, and the Department's ruling given as to whether or not a change will be permitted.

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[83] R.S. 1927, sec. 37.

[84] R.S. 1927, sec. 38.

[85] R.S. 1927, sec. 39, as amended by ch. 12, 1928, sec. 7, and by ch. 41, 1932–33, sec. 14. "For the purposes of ensuing the due collection and payment of taxes imposed by this act, before any bearer coupon or warrant representing either interest or dividends payable by Canadian, British, or foreign debtors, or check representing dividends or interest payable by British or foreign debtors, is negotiated by or on behalf of a resident of Canada, there shall be completed by or on behalf of such resident an ownership certificate in the form prescribed by the Minister. Such ownership certificate shall be delivered in such manner, at such time, and at such place as the Minister may prescribe. If not so delivered, the person in default shall be liable to a penalty of not less than $10 for such day of default, with a maximum penalty of $50. The Minister may by regulations extend the operation of this section to bearer coupon or warrants negotiated by or on behalf of nonresidents" (ch. 41, 1932–33, sec. 15, amending R.S. 1927, sec. 39).

[86] R.S. 1927, secs. 41–43.

[87] National Revenue Review, Sept. 1931, p. 4.

2. Generally speaking, a change of fiscal period will be permitted where the new accounting period ends within the same calendar year as the old accounting period, unless the Department is of opinion that the change has been made for the purpose of evasion of tax.

3. Where a taxpayer extends his fiscal period so that there is no accounting in the calendar year immediately following that in respect of which the taxpayer has filed a return, the Department will require a return for that year for a 12-month period, and in arriving at the amount of profits taxable for such period will apportion the income according to the length of the period involved, or use such other method of determining profits as circumstances may warrant. In no case will a taxpayer be permitted to defer the payment of tax by extending his accounting period.

3. COLLECTION

Notice of assessment.—After examination of the taxpayer's return the Minister sends a notice of assessment to the taxpayer verifying or altering the amount of the tax as estimated by him in his return. Any additional amount found due is payable within one month of mailing the notice of assessment.[88]

Date of payment of tax.—Taxpayers must pay not less than one-fourth of the computed tax at time of filing their returns. The balance due may be paid in not more than three equal bimonthly installments, with interest at 6 percent. If less than one-fourth of tax is paid, an additional interest of 4 percent is payable on the amount withheld.[89]

4. PENALTIES

Offenses and penalties.—The failure to make a return within the time limited therefor is punishable by a fine of 5 percent of the tax, not exceeding $500.

The failure to file a return in time is punishable by a fine of $10 for each day of default not to exceed $50.

The penalty for failure by an employer to file an information return is a fine amounting to 10 percent (not less than $2) of the aggregate amount of the tax payable by the employees who should be reported on such return.

For every default in complying with the demand for additional information, the production of documents, and other obligations required of taxpayers,[90] the penalty is on summary conviction a fine of not less than $25 for each day during which the default continues.

Any person making a false statement in any return or in any information required by the Minister is liable on summary conviction to a penalty of not exceeding $10,000 or to 6 months' imprisonment, or to both fine and imprisonment.[91]

No person employed in the service of His Majesty may communicate or allow to be communicated to any person not legally entitled to any information obtained under the provisions of the Income Tax Act, or allow any such person to inspect or have access to any written

[88] R.S. 1927, sec. 54.
[89] R.S. 1927, secs. 48 and 49.
[90] Under secs. 41–46 of R.S. 1927.
[91] Any information or complaint with respect to any offense against the provisions of this paragraph, whenever the prosecution, suit, or proceeding is instituted under the provisions of the criminal code relating to summary convictions may be lead or made within 3 years from the time when the matter of the information or complaint arose. (R.S. 1927, sec. 80, as amended by ch. 30, 1928, secs. 1 and 2.) These new provisions came into force with retroactive effect from Jan. 1, 1926.

statement under the provisions of the said act. Any person violating any of the provisions relative to secrecy is liable on summary conviction to a fine of not over $200.

The penalty for failure to collect or withhold any sum of money as required by law is a sum equal to the amount which should have been collected or withheld, plus interest thereon at 10 percent.

Failure to remit any such sum of money, or at such times as the Minister may in special cases prescribe, is, in addition to the penalty referred to in the preceding paragraph, punishable by a fine of 10 percent of the said sum, plus interest at 10 percent.

A resident of Canada who fails to issue and deliver an ownership certificate as required by law or by regulations thereunder, and any encashing agent or debtor who cashes a coupon or a warrant for which an ownership certificate has not been completed, is liable to a penalty of $5 or more for each offense.[92]

5. APPEALS

Notice of appeal.—Any person who objects to the amount at which he is assessed, or who considers that he is not liable to income tax, may personally or by his solicitor, within one month after the date of mailing of the notice of assessment,[93] serve a registered written notice of appeal upon the Minister, setting out clearly the reasons for appeal and all facts relative thereto.

Review of assessment.—Upon receipt of the said notice, the Minister affirms or amends the assessment appealed against and notifies the appellant of his decision by registered mail.

Notice of dissatisfaction.—If the appellant, after receipt of such decision, is dissatisfied therewith, he, may within one month from the date of mailing such decision, mail a registered notice stating that he desires his appeal to be set down for trial, together with a final statement of further facts, etc., for submission to the court in support of the appeal, or a recapitulation of all facts, etc., contained in the notice of appeal, together with such further facts as he intends to submit to the court in support of the appeal.

Security for costs.—The party appealing is required to give security for the costs of the appeal in a sum of at least $400. Unless such security is furnished by the party appealing within 1 month from the mailing of the notice of dissatisfaction the appeal and all proceedings thereunder become null and void.

Reply of Minister.—Upon receipt of such notice of dissatisfaction and statement of facts, the Minister replies thereto by registered mail admitting or denying the facts alleged and confirming or amending the assessment or any amended, additional, or subsequent assessment.

Proceedings in Exchequer Court.—Within two months from the date of mailing such reply, the Minister transmits to the Registrar of the Exchequer Court of Canada, to be filed in the said court, typewritten copies of the following documents:

(*a*) The income-tax return of the appellant, if any, for the period under review;

(*b*) The notice of assessment appealed;

(*c*) The notice of appeal;

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[92] R.S. 1927, secs. 77–87, as amended by ch. 30, 1928, and ch. 41, 1932–33.

[93] Supra, p. 24.

(*d*) The decision of the Minister;
(*e*) The notice of dissatisfaction;
(*f*) The reply of the Minister; and
(*g*) All other documents and papers relative to the assessment under appeal.

The matter thereupon is deemed to be an action in the said court reading for trial or hearing.[94]

Notice and copies of all further proceedings are served upon the Commissioner of Income Tax personally or other responsible officer of the Department of National Revenue.

The Exchequer Court has, under the provisions of the income tax, exclusive jurisdiction to hear and determine all questions relative to any assessment and in delivering judgment may issue any order as to payment of any tax, interest, or penalty, or as to costs as to the said court may seem right and proper.

An assessment may not be varied or disallowed because of any irregularity, informality, omission, or error on the part of any person in the observation of any directory provision up to the date of issuing the notice of assessment.

Proceedings before the Exchequer Court may be held in camera upon request made to the court by any party to the proceedings.

Right of appeal barred.—If a notice of appeal is not served or a notice of dissatisfaction is not mailed within the time limited therefor, the right of the person assessed to appeal ceases and the assessment is valid and binding notwithstanding any error, defect, or omission therein or in any proceedings required by the income-tax act.[95]

6. REMEDIES OF CROWN TO RECOVER TAXES

Taxes, etc., a debt due the Crown.—All taxes, interest, penalties, and costs assessed or imposed or ordered to be paid under the provisions of the income-tax law are deemed to be a debt due to His Majesty and are recoverable as such in the Exchequer Court of Canada or in any other court of competent jurisdiction in the name of His Majesty or in any such other manner as is provided in the income-tax act.

Certification of tax by commissioner.—All such taxes, etc., payable under the said act remaining unpaid, whether in whole or in part, after two months from date of mailing the notice of assessment may be certified by the Commissioner of Income Tax.

Recovery in Exchequer Court.—On the production to the Exchequer Court of Canada, the certificate is registered in the said court and has, from the date of such registration, the same force and effect, and all proceedings may be taken thereon, as if the certificate were a judgment obtained in the said court for the recovery of a debt of the amount specified in the certificate including interest to date of payment as provided for by the income-tax act and entered upon the date of such registration.

Costs recoverable.—All reasonable costs and charges attendant upon the registration of such certificates is recoverable in like manner as if they were part of such judgment.

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[94] However, should the court or a judge deem it advisable that pleadings be filed, an order may be issued directing the parties to file pleadings.
[95] R.S. 1927, secs. 63 to 69.

Collection of tax from third party.—Where it is known or suspected that a person is, or is about to become, indebted to a taxpayer, the Minister may demand that the moneys be in whole or in part paid over to the Receiver General of Canada on account of said taxpayer's liability. The receipt of the Minister constitutes a good and sufficient discharge of the taxpayer's liability.

Distress.—Upon refusal or neglect to pay any tax, interest, or penalty due, the Minister may on 10 days' notice distrain the goods and chattels of the person in default. The distress levied is kept 10 days at the cost of the defaulter and then sold by public auction.

Collection from taxpayer leaving Canada.—If the Minister suspects that a taxpayer is about to leave Canada he may demand that the taxes due be paid within 10 days. Nonpayment of such taxes renders the taxpayer's property liable to seizure and sale.[96]

7. REFUNDS

Where overpayment has been made the Minister may—

(*a*) At or prior to the issue of the notice of assessment, refund such overpayment without application therefor.

(*b*) After the issue of the notice of assessment, refund such overpayment upon a written application of the taxpayer made within 12 months of payment of the tax.[97]

7. STATISTICS [98]

TABLE 1.—*Income-tax receipts, 1919–34*

Fiscal year ended Mar. 31	Income tax					Business profits war tax [2]	Total income tax and business profits war tax
	Individuals		Corporations		Total, net amount [1]		
	Number	Net amount [1]	Number	Net amount [1]			
1919					$9,349,720	$32,970,062	$42,313,481
1920					20,263,740	44,145,184	64,409,604
1921					46,381,824	48,841,401	87,223,225
1922	290,584	$39,820,597	8,286	$38,863,758	78,684,351	22,815,667	101,500,018
1923	281,182	31,689,417	6,010	28,022,146	59,711,564	13,031,461	72,746,025
1924	239,036	25,657,336	5,569	28,546,692	54,204,028	4,752,681	58,956,709
1925	225,514	25,156,768	6,236	31,091,274	56,248,043	2,704,427	58,952,470
1926	209,539	23,849,474	5,538	31,722,487	55,571,962	1,173,449	56,745,411
1927	116,029	18,043,261	5,577	29,343,048	47,386,309	710,102	48,096,411
1928	122,026	23,222,891	6,121	33,348,157	56,571,047	956,031	57,527,079
1929	129,663	24,793,398	7,438	34,628,875	59,422,323	455,232	59,877,504
1930	142,154	27,237,502	7,957	41,783,224	69,020,726	173,300	69,194,027
1931	143,601	26,624,181	7,603	44,423,841	71,048,022	34,430	71,082,452
1932	133,621	24,772,846	6,010	36,481,554	61,254,400	3,000	61,257,400
1933					[3] 62,000,000		[3] 62,000,000
1934					[3] 61,399,000		[3] 61,399,000

[1] Less refunds. For refunds, see table 5, p. 32.
[2] The Business Profits War Tax Act, 1916, levied a graduated tax commencing at 25 percent of the amount by which the profits earned in any business exceeded, in the case of an incorporated company, the rate of 7 percent per annum, and, in the case of a business owned by any other person, the rate of 10 percent per annum upon the capital employed in such business. The tax was levied against and paid by the person owning such business for each and every accounting period ending after the 31st day of December 1914. The business profits war tax, which has ceased to be assessed since Dec. 31, 1920, remained, however, until recent years an important source of revenue, due to its collection being greatly in arrears.
[3] Estimated.

[96] R.S. 1927, sec. 74.
[97] R.S. 1927, secs. 53 and 56.
[98] Sources: The Canada Year Book, 1919–33; House of Commons, Debates, Apr. 18, 1934, p. 2460.

TABLE 2.—*Amounts of income assessed for the purpose of income tax, by individuals and corporations, 1921–32*

Fiscal year ended Mar. 31	Individuals		Corporations		Total amount
	Number	Amount	Number	Amount	
1921	190, 561	....	3, 696	....	$912, 410, 429
1922	290, 584	$1,058,577,617	8, 286	$403, 951, 553	1, 462, 529, 170
1923	281, 182	823, 100, 878	6, 010	269, 307, 047	1, 092, 407, 925
1924	239, 036	802, 617, 497	5, 569	305, 410, 374	1, 108, 027, 871
1925	225, 514	701, 892, 820	6, 236	297, 267, 428	999, 160, 248
1926	209, 539	697, 016, 973	5, 738	306, 093, 673	1, 003, 110, 646
1927	116, 029	465, 689, 900	5, 777	278, 494, 991	[1] 744, 184, 891
1928	122, 025	604, 736, 116	6, 121	435, 496, 832	1, 040, 232, 948
1929	129, 663	668, 687, 536	7, 438	526, 714, 731	1, 195, 402, 267
1930	142, 154	781, 174, 030	7, 957	544, 019, 414	1, 325, 193, 444
1931	143, 601	815, 714, 684	7, 603	555, 763, 956	1, 371, 478, 640
1932	133, 621	660, 107, 257	6, 010	332, 498, 693	992, 606, 220

[1] In 1927 the exemption limit was raised from $2,000 to $3,000 for married, and from $1,000 to $1,500 for single persons.

Table 3.—*Numbers of individual and corporate taxpayers, by size of income and amount of income taxes paid, fiscal years ended Mar. 31, 1927–32*

Income class	1927		1928		1929		1930		1931		1932	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
INDIVIDUALS												
Under $2,000	39, 881	$501, 146	36, 969	$454, 883	36, 857	$341, 777	38, 709	$284, 797	38, 788	$171, 237	37, 002	$162, 613
$2,000 to $3,000	21, 167	805, 175	21, 988	875, 449	22, 374	719, 631	20, 090	290, 052	20, 885	316, 458	19, 595	291, 274
$3,000 to $4,000	16, 462	273, 105	18, 049	286, 492	19, 408	280, 990	24, 429	399, 316	22, 869	327, 728	21, 160	294, 739
$4,000 to $5,000	12, 316	359, 150	13, 273	374, 588	15, 049	386, 046	17, 468	402, 594	17, 909	437, 407	16, 555	375, 629
$5,000 to $6,000	7, 343	368, 389	8, 371	407, 029	9, 529	394, 702	10, 980	441, 412	11, 348	448, 935	10, 410	410, 920
$6,000 to $7,000	5, 311	821, 063	6, 555	935, 743	6, 833	770, 420	7, 349	596, 835	7, 483	478, 985	6, 839	434, 007
$7,000 to $8,000	2, 869	362, 509	3, 431	428, 150	3, 950	412, 301	4, 620	453, 082	4, 814	472, 641	4, 573	475, 306
$8,000 to $9,000	2, 139	400, 496	2, 491	443, 864	2, 785	416, 031	3, 313	470, 636	3, 449	484, 866	3, 238	466, 442
$9,000 to $10,000	1, 620	397, 375	1, 974	506, 448	2, 185	472, 862	2, 607	534, 755	2, 609	518, 664	2, 462	470, 925
$10,000 to $15,000	3, 584	1, 997, 167	4, 519	2, 473, 219	5, 520	2, 396, 215	6, 575	2, 650, 707	6, 825	2, 528, 683	5, 901	2, 203, 781
$15,000 to $20,000	1, 319	1, 364, 433	1, 804	1, 864, 209	2, 197	1, 964, 324	2, 540	2, 226, 401	2, 878	2, 386, 232	2, 405	1, 955, 947
$20,000 to $25,000	747	1, 527, 756	1, 001	1, 948, 636	1, 027	1, 806, 366	1, 181	1, 937, 343	1, 314	2, 071, 218	1, 123	1, 727, 028
$25,000 to $30,000	403	1, 207, 563	490	1, 467, 231	579	1, 489, 237	674	1, 737, 813	784	1, 860, 843	646	1, 492, 213
$30,000 to $35,000											491	1, 507, 718
$35,000 to $40,000	574	3, 073, 375	695	3, 458, 767	847	3, 925, 527	1, 016	4, 486, 976	1, 045	4, 277, 731	267	968, 930
$40,000 to $45,000											197	882, 019
$45,000 to $50,000											143	746, 336
$50,000 and over	294	4, 718, 891	416	7, 552, 499	523	9, 328, 921	603	10, 571, 399	601	10, 131, 844	614	10, 269, 319
Total	116, 029	18, 177, 593	122, 026	23, 477, 207	129, 663	25, 105, 350	142, 154	27, 484, 118	143, 601	26, 913, 472	133, 621	25, 135, 319
Unclassified amounts		231, 641		275, 536		285, 270		275, 882		291, 615		148, 595
Total		18, 409, 234		23, 752, 743		25, 390, 620		27, 760, 000		27, 205, 087		25, 283, 914
Refunds		365, 973		529, 852		597, 222		522, 497		580, 906		511, 068
Net total	116, 029	18, 043, 261	122, 026	23, 222, 891	129, 663	24, 793, 398	142, 154	27, 237, 503	143, 601	26, 624, 181	133, 621	24, 772, 846

TABLE 3.—*Numbers of individual and corporate taxpayers, by size of income and amount of income taxes paid, fiscal years ended Mar. 31, 1927–32*—Continued

Income class	1927		1928		1929		1930		1931		1932	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
CORPORATIONS												
$2,000 to $3,000	1, 201	$142, 447	1, 202	$122, 251	1, 491	$122, 492	1, 528	$76, 349	1, 400	$66, 338	1, 123	$54, 297
$3,000 to $4,000	514	74, 683	458	70, 584	695	100, 149	781	119, 366	723	98. 914	555	91, 214
$4,000 to $5,000	375	95, 089	397	106, 467	495	115, 460	551	132, 597	468	111, 442	431	122, 421
$5,000 to $6,000	274	96, 688	257	89, 153	370	115, 179	440	142, 324	426	146, 851	343	145, 178
$6,000 to $7,000	338	230, 306	412	230, 713	392	217, 825	345	140, 715	334	142, 237	294	147, 203
$7,000 to $8,000	194	101, 650	215	132, 983	244	129, 723	274	142, 926	249	123, 619	222	135, 742
$8,000 to $9,000	178	109, 451	161	94, 546	223	125, 741	232	150, 951	203	137, 066	197	143, 269
$9,000 to $10,000	125	96, 241	142	101, 449	193	122, 736	222	160, 785	168	125, 480	140	112, 685
$10,000 to $15,000	550	654, 903	580	644, 238	692	659, 128	702	621, 296	654	587, 729	495	550, 720
$15,000 to $20,000	322	460, 258	308	410, 701	390	515, 068	441	590, 491	438	567, 087	354	531, 830
$20,000 to $25,000	264	608, 225	276	585, 759	313	605, 628	289	494, 263	326	597, 828	229	496, 928
$25,000 to $30,000	161	399, 391	185	400, 069	222	478, 418	238	533, 373	254	550, 948	176	437, 202
$30,000 to $35,000											175	555, 401
$35,000 to $40,000	410	1, 399, 389	435	1, 423, 475	530	1, 672, 228	511	1, 551, 375	563	1, 802, 322	119	457, 740
$40,000 to $45,000											100	446, 056
$45,000 to $50,000											80	405, 241
$50,000 and over	865	25, 124, 296	1, 086	29, 772, 475	1, 181	30, 410, 897	1, 398	37, 244, 203	1, 393	39, 370, 016	971	31, 868, 113
Total	[1] 5, 777	[1] 29, 602, 949	[2] 6, 121	[2] 34, 198, 796	[3] 7, 438	[3] 35, 408, 679	[4] 7, 957	[4] 42, 117, 562	[5] 7, 603	[5] 44, 440, 244	[6] 6, 010	[6] 36, 704, 293
Unclassified amounts		188, 857		288, 048		263, 665		332, 519		471, 429		266, 755
Total		29, 791, 806		34, 486, 844	[3] 7, 438	[3] 35, 672, 344	[4] 7, 957	[4] 42, 450, 081	[5] 7, 603	[5] 44, 911, 673	[6] 6, 010	[6] 36, 971, 048
Refunds		448, 758		1, 138, 687		1, 043, 469		666, 857		487, 832		489, 494
Net total	[1] 5, 777	[1] 29, 343, 048	[2] 6, 121	[2] 33, 348, 157	7, 438	[3] 34, 628, 875	[4] 7, 957	[4] 41, 783, 224	[5] 7, 603	[5] 44, 423, 841	[6] 6, 010	[6] 36, 481, 554

[1] Totals include 6 corporations paying $9,932 in taxation, grouped to conceal net income and identity of taxpayers.
[2] Totals include 7 corporations paying $13,936 in taxation, grouped to conceal net income and identity of taxpayers.
[3] Totals include 7 corporations paying $18,007 in taxation, grouped to conceal net income and identity of taxpayers.
[4] Totals include 5 corporations paying $16,548 in taxation, grouped to conceal net income and identity of taxpayers.
[5] Totals include 4 corporations paying $12,367 in taxation, grouped to conceal net income and identity of taxpayers.
[6] Totals include 6 corporations paying $3,053 in taxation, grouped to conceal net income and identity of taxpayers.

TABLE 4.—*Income tax paid, by occupations of taxpayers, fiscal year ended Mar. 31, 1927–32*

Income class	1927		1928		1929		1930		1931		1932	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
INDIVIDUALS												
Agrarians	3,248	$233,801	3,163	$205,454	3,111	$154,733	2,626	$123,909	2,276	$131,910	653	$36,379
Professionals	6,387	1,248,191	6,088	1,444,098	6,771	1,621,398	7,439	1,716,675	7,448	1,913,761	6,512	1,893,161
Employees	81,456	7,838,527	83,146	5,522,507	87,469	7,838,590	95,328	8,336,416	99,658	8,717,015	96,272	8,355,336
Merchants, retail	8,124	950,688	8,685	1,041,337	9,229	1,217,292	11,117	1,248,277	10,174	1,196,920	7,314	830,524
Merchants, wholesale	833	255,680	1,178	421,517	1,411	481,835	1,500	464,726	1,563	454,540	987	271,459
Manufacturers	863	378,941	901	335,675	1,001	245,454	1,140	263,525	947	225,135	823	162,354
Natural resources	119	47,641	172	97,878	171	47,949	243	79,677	174	57,942	147	21,331
Financial	4,393	2,897,915	7,654	5,066,588	8,645	6,085,230	9,534	7,084,327	9,278	6,641,080	9,718	5,874,722
Personal corporations	128	717,174	470	2,583,228	644	3,523,192	912	3,614,204	597	3,114,145	568	3,082,674
Family corporations	279	318,150	1,138	742,578	2,247	1,269,858	3,129	1,881,138	3,235	1,953,544	2,626	1,993,797
All others	10,199	3,300,884	9,431	3,018,347	8,964	2,619,819	9,186	2,671,243	8,251	2,507,479	8,001	2,613,581
Unclassified		231,642		275,536		285,270		275,882		291,616		148,596
Total	116,029	18,409,234	122,026	23,752,743	129,663	25,390,620	142,154	27,759,999	143,601	27,205,087	133,621	25,283,914
Refunds		365,973		529,852		597,222		522,497		580,906		511,068
Net total	116,029	18,043,261	122,026	23,222,891	129,663	24,793,398	142,154	27,237,502	143,601	26,624,181	133,621	24,772,846
CORPORATIONS												
Agrarians	45	54,596	35	33,812	83	50,418	111	58,028	88	56,404	39	19,088
Merchants, retail	1,042	2,033,838	1,246	2,273,736	1,478	2,546,367	1,551	2,836,933	1,349	2,798,156	1,044	2,241,079
Merchants, wholesale	739	1,994,352	826	2,245,549	1,019	2,637,469	1,071	2,981,802	958	2,975,641	640	1,499,306
Manufacturers	1,950	13,593,412	2,030	16,132,580	2,427	17,121,952	2,502	19,885,735	2,475	21,988,645	1,803	17,692,605
Natural resources	257	2,857,728	210	2,594,892	244	2,656,326	309	3,617,300	295	4,211,330	143	2,872,504
Financial	583	2,459,733	693	2,554,505	886	3,052,120	1,021	3,960,486	1,134	4,261,232	1,050	4,830,390
Transportation and public utilities	306	4,875,878	310	5,480,732	386	5,380,264	358	6,686,498	345	6,192,278	312	4,769,437
All others	855	1,733,412	772	2,882,990	915	1,963,764	1,034	2,090,779	959	1,956,557	979	2,779,884
Unclassified		188,857		288,048		263,664		332,520		471,430		266,755
Total	5,777	29,791,806	6,121	34,486,844	7,438	35,672,344	7,957	42,450,081	7,603	44,911,673	6,010	36,971,048
Refunds		448,758		1,138,687		1,043,469		666,857		487,822		489,494
Net total	5,777	29,343,048	6,121	33,348,157	7,438	34,628,875	7,957	41,783,224	7,603	44,423,841	6,010	36,481,554
Grand total, individuals and corporations	121,806	47,386,309	128,547	56,571,048	137,101	59,422,273	150,111	69,020,726	151,204	71,048,022	139,631	61,254,400

TABLE 5.—*Income-tax refunds, 1922–32* [1]

Fiscal year ended Mar. 31	Refunds to individuals		Refunds to corporations		Total refunds	
	Amount	Percent of individual income tax collected	Amount	Percent of corporation income tax collected	Amount	Percent of total income tax collected
1922	$650, 412	1. 61	$344, 046	0. 88	$994, 458	1. 25
1923	667, 997	2. 06	790, 264	2. 74	1, 458, 261	2. 38
1924	710, 478	2. 69	1, 224, 258	4. 11	1, 934, 736	3. 45
1925	340, 113	1. 33	878, 527	2. 75	1, 218, 640	2. 12
1926	440, 788	1. 81	691, 569	2. 13	1, 132, 357	2. 00
1927	365, 973	1. 99	448, 758	1. 51	814, 731	1. 69
1928	529, 852	2. 23	1, 138, 087	3. 30	1, 667, 939	2. 86
1929	597, 222	2. 35	1, 043, 469	2. 93	1, 640, 691	2. 69
1930	522, 497	1. 88	666, 857	1. 57	1, 189, 354	1. 69
1931	580, 906	2. 14	487, 832	1. 09	1, 068, 738	1. 48
1932	511, 068	2. 02	489, 494	1. 33	1, 000, 562	1. 61
Total	5, 917, 306		8, 203, 161		14, 120, 467	

Figures for the years prior to 1922 are not available.

Table 6.—*Income-tax rates and principal exemptions, 1917–34*

Taxable year	Rates: Individuals: Normal rates	Supertax	Surtax	Special surtaxes	Corporations	Exemptions: Single persons	Married persons [1]	Children [2] and dependents [3]	Corporations
1917	4 percent	$6,000 to over $100,000, 2 to 25 percent.	Nil		Over $3,000, 4 percent	$1,500	$3,000	Nil	$3,000
1918	Single persons: $1,000–$1,500, 2 percent; Over $1,500, 4 percent. Married persons: $2,000–$3,000, 2 percent; Over $3,000, 4 percent	$6,000 to over $1,000,000, 2 to 50 percent.	$6,000 to over $200,000, 5 to 35 percent of normal tax and supertax combined.		Over $3,000, 6 percent			$200	
1919 1920 1921 1922 1923 1924	Single persons: [4] $1,000–$6,000, 4 percent; Over $6,000, 8 percent. Married persons: [4] $2,000–$6,000, 4 percent; Over $6,000, 8 percent		$5,000 to over $1,000,000, 1 to 65 percent.[4]	Nil	Over $2,000, 10 percent [4]	1,000	2,000	300	
1925	$2,000 to over $500,000, 2 to 50 percent.								2,000
1926	$2,000 to over $500,000, 1.8 to 45 percent.[5]				Over $2,000, 9 percent				
1927 1928 1929 1930	$2,000 to over $500,000, 1.6 to 40 percent.[6]	Nil	Nil		Over $2,000, 8 percent; Over $2,000, 10 percent	1,500	3,000	500	
1931	$2,000 to over $500,000, 2 to 50 percent.		Over $5.000 of amount of tax, 5 percent.		Over $2,000, 11 percent, plus 5 percent for companies whose income exceeds $5,000	1,200	2,400		
1932 1933 1934	$1,000 to over $500,000, 3 to 56 percent.			Resident debtors, 5 percent. Nonresident creditors, 5 percent.	Corporations filing separate return, 12½ percent. Corporations filing consolidated return, 13½ percent.	1,000	2,000	400	Nil

[1] Includes single persons "who maintain a self-contained domestic establishment and who actually support one or more individuals connected with him by blood relationship, marriage, or adoption."

[2] Age limit: 1919–25, up to 18; 1926–34, up to 21. As from 1927 this exemption was made to apply to children over 21 years of age who are incapable of self-support because of physical or mental infirmity.

[3] The exemption for dependents is the same as for children and was applicable for the first time in 1929. It extends to relatives of married persons (but not to single persons assimilated to the married persons' class under the foregoing footnote (1)) incapable of self-support because of some physical or mental infirmity and who are dependent upon the taxpayer.

[4] On normal tax and surtax on incomes of $5,000 or more, there was levied an additional tax of 5 percent. [5] 1925 rates reduced 10 percent. [6] 1925 rates reduced 20 percent.

TABLE 7.—*Income tax payable by individuals on incomes from $1,000 to $2,000,000, inclusive, taxable years 1925–34*

Net income or any portion thereof in excess of exemptions	1925		1926		1927–30		1931		1932–34	
	Rate per bracket	Tax payable on maximum income	Rate per bracket [1]	Tax payable on maximum income	Rate per bracket [2]	Tax payable on maximum income	Rate per bracket	Tax payable on maximum income (including surtax of 5 percent of amount of normal tax on incomes over $5,000)	Rate per bracket	Tax payable on maximum income (including surtax of 5 percent of amount of normal tax on incomes over $5,000)
	Percent		*Percent*		*Percent*		*Percent*		*Percent*	
First $1,000	2	$20	1.8	$18	1.6	$16	2	$20.00	3	$30.00
$1,000 to $2,000	2	40	1.8	36	1.6	32	2	40.00	4	70.00
$2,000 to $3,000	3	70	2.7	63	2.4	56	3	70.00	5	120.00
$3,000 to $4,000	4	110	3.6	99	3.2	88	4	110.00	6	180.00
$4,000 to $5,000	5	160	4.5	144	4	128	5	160.00	7	250.00
$5,000 to $6,000	6	220	5.4	198	4.8	176	6	231.00	8	346.50
$6,000 to $7,000	7	290	6.3	261	5.6	232	7	304.50	9	441.00
$7,000 to $8,000	8	370	7.2	333	6.4	296	8	388.50	10	546.00
$8,000 to $9,000	9	460	8.1	414	7.2	368	9	483.00	11	661.50
$9,000 to $10,000	10	560	9	504	8	448	10	588.00	12	787.50
$10,000 to $11,000	11	670	9.9	603	8.8	536	11	703.50	13	924.00
$11,000 to $12,000	12	790	10.8	711	9.6	632	12	829.50	14	1,071.00
$12,000 to $13,000	13	920	11.7	828	10.4	736	13	966.00	15	1,228.50
$13,000 to $14,000	14	1,060	12.6	954	11.2	848	14	1,113.00	16	1,396.50
$14,000 to $15,000	15	1,210	13.5	1,089	12	968	15	1,270.50	17	1,575.00
$15,000 to $16,000	16	1,370	14.4	1,233	12.8	1,096	16	1,438.50	18	1,764.00
$16,000 to $17,000	17	1,540	15.3	1,386	13.6	1,232	17	1,617.00	19	1,963.50
$17,000 to $18,000	18	1,720	16.2	1,548	14.4	1,376	18	1,806.00	20	2,173.50
$18,000 to $19,000	19	1,910	17.1	1,719	15.2	1,528	19	2,005.50	21	2,394.00
$19,000 to $20,000	20	2,110	18	1,899	16	1,688	20	2,215.50	22	2,625.00
$20,000 to $25,000	21	3,160	18.9	2,844	16.8	2,528	21	3,318.00	23	3,832.50
$25,000 to $30,000	22	4,490	19.8	3,834	17.6	3,408	22	4,714.50	24	5,092.50
$30,000 to $35,000	23	5,410	20.7	4,869	18.4	4,328	23	5,680.50	25	6,405.00
$35,000 to $40,000	24	6,610	21.6	5,949	19.2	5,288	24	6,940.50	26	7,770.00
$40,000 to $45,000	25	7,860	22.5	7,074	20	6,288	25	8,253.00	27	9,187.50
$45,000 to $50,000	26	9,160	23.4	8,244	20.8	7,328	26	9,618.00	28	10,657.50
$50,000 to $55,000	27	10,510	24.3	9,459	21.6	8,408	27	11,035.50	29	12,180.00
$55,000 to $60,000	28	11,910	25.2	10,719	22.4	9,528	28	12,505.50	30	13,755.00
$60,000 to $65,000	29	13,360	26.1	12,024	23.2	10,688	29	14,028.00	31	15,382.50
$65,000 to $70,000	30	14,860	27	13,374	24	11,888	30	15,103.00	32	17,062.50
$70,000 to $75,000	31	16,410	27.9	14,769	24.8	13,128	31	17,230.50	33	18,795.00
$75,000 to $80,000	32	18,010	28.8	16,209	25.6	14,808	32	18,910.50	34	20,580.00

$80,000 to $85,000	33	19, 660	29. 7	17, 694	26. 4	15, 728	33	20, 643. 00	35	22, 417. 50
$85,000 to $90,000	34	21, 360	30. 6	19, 224	27. 2	17, 088	34	22, 428. 00	36	24, 307. 50
$90,000 to $95,000	35	23, 110	31. 5	20, 799	28	18, 488	35	24, 265. 50	37	26, 250. 00
$95,000 to $100,000	36	24, 910	32. 4	22, 419	28. 8	19, 928	36	26, 155. 50	38	28, 245. 00
$100,000 to $110,000	37	28, 610	33. 3	25, 749	29. 6	22, 888	37	30, 040. 50	39	32, 340. 00
$110,000 to $120,000	38	32, 410	34. 2	29, 169	30. 4	25, 928	38	34, 030. 50	40	36, 540. 00
$120,000 to $130,000	39	36, 310	35. 1	32, 679	31. 2	29, 048	39	38, 125. 50	41	40, 845. 00
$130,000 to $140,000	40	40, 310	36	36, 279	32	32, 248	40	42, 325. 50	42	45, 255. 00
$140,000 to $150,000	41	44, 410	36. 9	39, 969	32. 8	35, 528	41	46, 630. 50	43	49, 770. 00
$150,000 to $175,000	42	54, 910	37. 8	49, 419	33. 6	43, 928	42	57, 655. 50	44	61, 320. 00
$175,000 to $200,000	43	65, 660	38. 7	59, 094	34. 4	52, 528	43	68, 943. 00	45	73, 132. 50
$200,000 to $225,000	44	76, 660	39. 6	68, 994	35. 2	61, 328	44	80, 493. 00	46	85, 207. 50
$225,000 to $250,000	44	87, 660	39. 6	78, 894	35. 2	70, 128	44	92, 043. 00	47	97, 545. 00
$250,000 to $275,000	45	98, 910	40. 5	89, 019	36	79, 128	45	103, 855. 50	48	110, 145. 00
$275,000 to $300,000	45	110, 160	40. 5	99, 144	36	88, 128	45	115, 668. 00	49	123, 007. 50
$300,000 to $325,000	46	121, 600	41. 4	109, 494	36. 8	97. 328	46	127, 743. 00	50	136, 132. 50
$325,000 to $350,000	46	133, 160	41. 4	119, 844	36. 8	106, 528	46	139, 818. 00	51	149, 520. 00
$350,000 to $375,000	47	144, 910	42. 3	130, 419	37. 6	115, 928	47	152, 155. 50	52	163, 170. 00
$375,000 to $400,000	47	156, 660	42. 3	140, 994	37. 6	125, 328	47	164, 493. 00	53	177, 082. 50
$400,000 to $450,000	48	180, 660	43. 2	162, 594	38. 4	144, 528	48	189, 693. 00	54	205, 432. 50
$450,000 to $500,000	49	205, 160	44. 1	184, 644	39. 2	164, 128	49	215, 418. 00	55	234, 307. 50
$500,000 to $1,000,000	50	455, 160	45	410, 144	40	364, 128	50	477, 918. 00	56	528, 307. 50
$1,000,000 to $2,000,000	50	955, 160	45	860, 144	40	764, 128	50	1, 002, 918. 00	56	1, 116, 307. 50

[1] Rates of 1925 reduced 10 percent.
[2] Rates of 1925 reduced 20 percent.

TABLE 8.—*Income tax payable by corporations on incomes from $1,000 to $2,000,000, inclusive—Taxable years 1925 to 1934*

Net income	1925–26	1927–30	1930	1931	1932–34	
	Rate: 9 percent	Rate: 8 percent	Rate: 10 percent	Rate: 11 percent, plus 5 percent on income over $5,000	Corporations filing a separate return, rate: 12.5 percent	Corporations filing a consolidated return, rate: 13.5 percent
$1,000	$90	$80	$100	$111	$125	**$135**
$2,000	180	160	200	220	250	**270**
$3,000	270	240	300	330	375	**405**
$4,000	360	320	400	440	500	**540**
$5,000	450	400	500	550	625	**675**
$6,000	540	480	600	710	750	**810**
$7,000	630	560	700	870	875	**945**
$8,000	720	640	800	1,030	1,000	**1,080**
$9,000	810	720	900	1,190	1,125	**1,215**
$10,000	900	800	1,000	1,350	1,250	**1,350**
$11,000	990	880	1,100	1,510	1,375	**1,485**
$12,000	1,080	960	1,200	1,670	1,500	**1,620**
$13,000	1,170	1,040	1,300	1,830	1,625	**1,755**
$14,000	1,260	1,120	1,400	1,990	1,750	**1,890**
$15,000	1,350	1,200	1,500	2,150	1,875	**2,025**
$16,000	1,440	1,280	1,600	2,310	2,000	**2,160**
$17,000	1,530	1,360	1,700	2,470	2,125	**2,295**
$18,000	1,620	1,440	1,800	2,630	2,250	**2,430**
$19,000	1,710	1,520	1,900	2,790	2,375	**2,565**
$20,000	1,800	1,600	2,000	2,950	2,500	**2,700**
$25,000	2,250	2,000	2,500	3,750	3,125	**3,375**
$30,000	2,790	2,400	3,000	4,550	3,750	**4,050**
$35,000	3,150	2,800	3,500	5,350	4,375	**4,725**
$40,000	3,600	3,200	4,000	6,150	5,000	**5,400**
$45,000	4,050	3,600	4,500	6,950	5,625	**6,075**
$50,000	4,500	4,000	5,000	7,750	6,250	**6,750**
$55,000	4,950	4,400	5,500	8,550	6,875	**7,425**
$60,000	5,400	4,800	6,000	9,350	7,500	**8,100**
$65,000	5,850	5,200	6,500	10,150	8,125	**8,775**
$70,000	6,300	5,600	7,000	10,950	8,750	**9,450**
$75,000	6,750	6,000	7,500	11,750	9,375	**10,125**
$80,000	7,200	6,400	8,000	12,550	10,000	**10,800**
$85,000	7,650	6,800	8,500	13,350	10,625	**11,475**
$90,000	8,100	7,200	9,000	14,150	11,250	**12,150**
$95,000	8,550	7,600	9,500	14,950	11,875	**12,825**
$100,000	9,000	8,000	10,000	15,750	12,500	**13,500**
$110,000	9,900	8,800	11,000	17,350	13,750	**14,850**
$120,000	10,800	9,600	12,000	18,950	15,000	**16,200**
$130,000	11,700	10,400	13,000	20,550	16,250	**17,550**
$140,000	12,600	11,200	14,000	22,150	17,500	**18,900**
$150,000	13,500	12,000	15,000	23,750	18,750	**20,250**
$160,000	14,400	12,900	16,000	25,350	20,000	**21,600**
$170,000	15,300	13,700	17,000	26,950	21,250	**22,950**
$180,000	16,200	14,500	18,000	28,550	22,500	**24,300**
$190,000	17,100	15,300	19,000	30,150	23,750	**25,650**
$200,000	18,000	16,200	20,000	31,750	25,000	**27,000**
$225,000	20,250	18,000	22,500	35,750	27,125	**30,375**
$250,000	22,500	20,200	25,000	39,750	31,250	**33,750**
$275,000	24,750	22,000	27,500	43,750	34,375	**37,125**
$300,000	27,000	24,000	30,000	47,750	37,500	**40,500**
$325,000	29,250	26,000	32,500	51,750	40,625	**43,875**
$350,000	31,500	28,000	35,000	55,750	43,750	**47,250**
$375,000	33,750	30,000	37,500	59,750	45,875	**50,625**
$400,000	36,000	32,000	40,000	63,750	50,000	**54,000**
$450,000	40,500	36,000	45,000	71,750	56,250	**60,750**
$500,000	45,000	40,000	50,000	79,750	62,500	**67,500**
$1,000,000	90,000	80,000	100,000	159,750	125,000	**135,000**
$2,000,000	180,000	160,000	200,000	319,750	250,000	**270,000**

Part III

OTHER DOMINION TAXES

PART III.—OTHER DOMINION TAXES

1. CUSTOMS DUTIES

Customs duties in Canada are governed by the Customs Tariff Act, 1907 (ch. 44 of the Revised Statutes of Canada, 1927), as amended to date. The measure of the tax is the value and/or the quantity of the goods imported into Canada. The rates vary with the nature of the goods.

There are three distinct and separate tariffs, namely a British preferential tariff, an intermediate tariff, and a general tariff.

British preferential tariff.—This tariff applies to goods the produce or manufacture of British countries when conveyed without transshipment from a port of the said countries to a sea, lake, or river port of Canada, provided that every manufactured article is bona fide the manufacture of a British country entitled to the benefit of this tariff, and that the goods have been finished by a substantial amount of labor in the British country specified on the invoice as their country of origin, and that, except in case of commodities otherwise specially provided for, not less than one-half of the cost of production of each such article has been produced through the industry of one or more British country.

This tariff also applies to such goods shipped on a through bill of lading consigned to a consignee in a specified port in Canada, when such goods are transferred at a port of a British possession (even if such possession does not enjoy the benefit of the British preferential tariff) and conveyed without further transshipment into a sea or river port of Canada. An importer of goods entitled to the benefits of the British preferential tariff is allowed a discount of 10 percent on the amount of duty computed. However, the discount does not apply to (*a*) any of the following articles, viz., wines, malt liquors, spirits, spirituous liquors, liquid medicines and articles containing alcohol; sugar, tobacco, cigars, and cigarettes; (*b*) in the case where the duty does not exceed 15 percent ad valorem or in the case of a specific duty or a specific and ad valorem duty combined, in which the computed rate does not exceed 15 percent; (*c*) to goods which have the benefit of reductions provided for in the West Indies trade agreement, 1926.

Intermediate tariff.—The intermediate tariff applies to goods the produce or manufacture of certain foreign countries when such goods are conveyed without transshipment from a port of a country enjoying the benefits of the British preferential or intermediate tariff into a sea, lake, or river port of Canada, provided that the goods for which entry is claimed are bona fide the produce or manufacture of a country which has been accorded the benefits of such intermediate tariff. The following countries enjoy the intermediate tariff only: Austria, Brazil, Germany and Hong Kong. The following countries have been accorded most favored nation treatment in tariff matters by

Canada and enjoy the intermediate tariff or any lower tariff accorded any *foreign* country: Argentine Republic, Colombia, Czechoslovakia, Denmark; Economic Union of Belgium and Luxembourg, colonies and possessions; Estonia, Finland, Hungary, Italy, Japan, Latvia, Lithuania; Netherlands, including the Netherlands Indies, Surinam and Curacao; Norway, Portugal, Roumania; Serb, Croat and Slovene Kingdom; Spain, Sweden, Switzerland, and Venezuela.

General tariff.—This tariff applies to importations from all countries not included under the British preferential tariff or the intermediate tariff. Importations from the United States come under this tariff.

Special trade agreements.—Special trade agreements have been concluded by Canada with Australia, the British West Indies, New Zealand, United Kingdom, Southern Rhodesia, Union of South Africa, and France.

Drawbacks.—Under the provisions of the customs tariff act regulations have been established by order in council authorizing the payment of a drawback of 99 percent of the duty paid on materials imported into Canada and used, wrought into, or attached to any articles manufactured or produced in Canada and exported. The tariff act also contains a schedule of imported materials on which drawbacks may be granted when such materials are used for consumption in Canada, the rate of drawback being designated in each case.

2. EXCISE TAXES AND DUTIES

1. SALES TAX [1]

Scope.—By authority of the Special War Revenue Act[2] as administered by the Department of National Revenue, a consumption or sales tax is imposed on the sale price of all goods manufactured or produced in Canada, payable by the manufacturer or producer to the Crown, at time of delivery to the purchaser thereof.[3]

Sales tax license.—Manufacturers or producers of taxable goods are required to obtain a sales-tax license, which is renewable on the 1st day of April of each year, as is also the annual license fee of $2. The issuance of this license is not intended as a permit to manufacture or produce, but is merely a means of having such manufacturers or producers registered for departmental purposes.

Returns.—The taxes are remitted to the Crown by way of monthly returns (duly sworn) and payments. The return covering each months' taxable sales must be filed and the tax paid not later than the last day of the next succeeding month. Interest penalties are provided for where taxes are not paid by the due date.

[1] Principal source: Memorandum of the Commissioner of Excise outlining the present sales-tax system as imposed by authority of the Special War Revenue Act, 1933. See Appendix VI, p. 98.

[2] The Special War Revenue Act and amendments to date. Published by the Department of National Revenue, Excise Division. July 1933. Office consolidation; ch. 42, 1934.

The sales tax came into force on May 19, 1920. Introduced during the era of post-war financial reconstruction, it received the support of the commercial and industrial interests as an emergency measure. From its inception the tax has been limited to nonessential commodities. Prior to 1924 it was sometimes levied successively several times on a single article. In that year it was made to apply to manufacturers' and producers' sales only. The same year the Canadian Manufacturers' Association voiced strong opposition to the tax, denouncing it as both unfair to the manufacturers and discriminatory. The farm-labor element has consistently opposed it. Difficult ties of administration brought also unfavorable comment upon it. These criticisms led the Minister of Finance to agree in 1926 that the tax should be repealed. Until the depression of 1930 this remained the attitude of the Government. Since that year, however, the conservative party which had opposed the levy has found itself in the unfortunate position of having to continue it in effect. The merchant class is generally in favor of a general low rate turnover tax which will fall on the consumer. For a fuller treatment of the Canadian sales tax, see Buehler, General Sales Taxation, ch. 9, p. 116–129.

[3] For rules on compution of the tax, see Appendix VI, p. 98.

Incidence of the tax.—Generally speaking, the tax is one of single incidence, i.e., it applies once only, and that, on the sale by the final manufacturer. By a system of licensing, manufacturers or producers are permitted to purchase articles and materials to be used in, wrought into, or attached to their taxable products being manufactured or produced for sale, free from sales tax, the tax then applying on the sale of the completely manufactured article, for example, an abattoir produces hides but is permitted to sell same free from sales tax to a licensed tanner; the tanner after tanning the hides is permitted to sell them to a licensed shoe manufacturer without tax and the shoe manufacturer accounts for sales tax on the sale of the finished shoes.

Liability of importations to tax.—The tax applies at 6 percent on importations, computed on a customs duty paid value and is payable at the time of entry for consumption of goods in Canada.

Rates.—The present rate of the tax is 6 percent. The rates since the inception of the tax are given in the following table: [4]

Period covered	Nature of sales
May 19 to June 16, 1920	1 percent on sales by manufacturers on sales by wholesalers and on imports.
June 17, 1920, to May 9, 1921	Tax payable by purchaser to manufacturer or wholesaler: Domestic sales: 1 percent on sales by manufacturers to wholesalers, and on sales by wholesalers. 2 percent on sales by manufacturers to retailers or consumers. Imports: 1 percent on imports by manufacturers and wholesalers. 2 percent on imports by retailers or consumers.
May 10, 1921, to May 23, 1922	Tax payable by purchaser to manufacturer or wholesaler: Domestic sales: 1½ percent on sales by manufacturers to wholesalers and on sales by wholesalers. 3 percent on sales by manufacturers to retailers and consumers. Imports: 2½ percent on imports by manufacturers and by wholesalers. 4 percent on imports by retailers and consumers. Lumber: 2 percent on domestic sales and 3 percent on importations.
May 24, 1922, to Dec. 31, 1923	Domestic sales: 2¼ percent on sales by manufacturers to wholesalers and on sales by wholesalers. 4½ percent on sales by manufacturers to retailers and consumers. Imports: 3¾ percent on importations by manufacturers and by wholesalers. 8 percent on importations by retailers and consumers. Lumber: 3 percent on domestic sales and 4½ percent on importations.
Jan. 1 to Apr. 10, 1924	6 percent on sales by manufacturers or producers and 6 percent on importations. 3 percent on a restricted list, both on domestic sales and on importations.
Apr. 11, 1924, to Feb. 17, 1927	5 percent on sales by manufacturers and on importations. 2½ percent on a restricted list of commodities, both on domestic sales and on importations.
Feb. 18, 1927, to Feb. 16, 1928	4 percent on sales by manufacturers and on importations. 2 percent on a restricted list, both on domestic sales and on importations.
Feb. 17, 1928, to Mar. 1, 1929	3 percent on sales by manufacturers and on importations. 1½ percent on a restricted list, both on domestic sales and on importations.
Mar. 2, 1929, to May 1, 1930	2 percent on sales by manufacturers and on importations. 1 percent on a restricted list, both on domestic sales and on importations.
May 2, 1930, to June 1, 1931	1 percent on sales by manufacturers and on importations. ½ of 1 percent on a restricted list, both on domestic sales and on importations.
June 2, 1931, to Apr. 6, 1932	4 percent on sales by manufacturers and on importations. ½ of 4 percent on a restricted list, both on domestic sales and on importations.
Since Apr. 7, 1932	6 percent on sales by manufacturers and on importations. ½ of 6 percent on a restricted list, both on domestic sales and on importations.

[4] Prepared by the Excise Division, Department of National Revenue (National Revenue Review, May 1932, p. 15.)

Exemptions.—Generally, the tax does not apply to the staple necessities of life, nor to the implements used in the primary industries of farming, fishing, mining, and lumbering, nor to goods exported.

Sales-tax receipts, 1921–34

Fiscal year ended Mar. 31—	Domestic sales	Import sales	Total
1921	$27,909,902	$10,218,161	$38,126,063
1922	44,820,162	16,698,589	61,518,751
1923	62,685,520	28,576,753	91,262,273
1924	71,834,937	29,155,141	100,990,078
1925	51,253,498	15,453,872	66,707,370
1926	57,253,867	16,771,226	74,025,093
1927	63,940,130	18,365,540	82,305,670
1928	55,379,084	16,721,160	72,100,244
1929	49,151,636	14,495,036	63,646,672
1930	34,936,376	9,922,325	44,858,701
1931	16,586,976	4,196,929	20,783,905
1932	34,557,788	7,834,822	42,392,610
1933			56,814,000
1934			[1] 63,000,000
Total	570,309,876	188,409,554	878,533,430

[1] Estimated.

2. SPECIAL EXCISE TAX ON IMPORTS [5]

Scope.—A tax is imposed on the duty-paid value of all goods imported into Canada, payable by the importer or transferee who takes the goods out of bond for consumption, at the time when the goods are imported or taken out of warehouse for consumption.

Rate.—The rate of tax is 1½ percent on all goods imported into Canada, entitled to entry under British preferential tariff or under trade agreements between Canada and other British countries, and 3 percent on goods imported from other countries.

Exemptions.—The following are exempt from tax: (*a*) Goods imported by mail or express on which duty-paid value does not exceed $25; (*b*) articles on which other excise taxes are imposed; (*c*) certain customs tariff items and other specified goods.

3. SPIRITS [6]

An excise duty on spirits manufactured in Canada and sold for consumption is levied at the following rates:

	Rate per proof gallon
(*a*) Potable spirits [7]	$7.00
(*b*) Potable spirits used in the manufacture of pharmaceutical preparations, etc	2.50
(*c*) Potable spirits distilled from juices of native fruits to be used in the fortification of native wines	1.00
(*d*) Nonpotable spirits used in the manufacture of perfumes	1.50
(*e*) Nonpotable spirits used in the manufacture of soaps, collodion, ethylbromide, tooth paste, neo-diarsenol, etc	.15
(*f*) Nonpotable spirits used in the manufacture of vinegar [8]	.27
(*g*) Potable spirits used by druggists [9]	2.50

[5] Special War Revenue Act, office consolidation 1933, sec. 88; ch. 42, 1934, sec. 10.
[6] Excise act, R.S. 1927, ch. 60, as amended by ch. 40, 1932–33, sec. 4, except as noted.
[7] When spirits are used by universities in scientific or research laboratories for scientific purposes only or in hospitals for medicinal purposes, a drawback of 99 percent may be granted.
[8] R.S. 1927, ch. 60, sec. 248.
[9] R.S. 1927, ch. 60, sec. 150, as amended by ch. 40, 1932–33, sec. 5. Where such spirits are purchased from a Government vendor or other person lawfully authorized to sell the same and where the imposed duties have been paid, the said druggist may be entitled to a drawback of all such duty in excess of said duties of excise.

Alcohol imported for use in licensed bonded manufactures is subject to an additional 30 cents per gallon when warehoused.[10]

4. MALT AND BEER [11]

Malt and beer are taxed as follows:

	Cents
(*a*) Screened malt manufactured in Canada and sold for consumption, per pound	6
(*b*) Malt imported into Canada, per pound	6
(*c*) Malt imported, crushed or ground, per pound	8
(*d*) Malt liquor made in whole or in part from any other substance than malt, per gallon	22
(*e*) Beer brewed from malt on which a duty of 3 cents per pound only has been paid, and which was on hand on July 1, 1934, per gallon	7
(*f*) Beer imported into Canada on and after July 1, 1934, per gallon	7
(*g*) Unfermented wort (sweet wort) to be sold for purposes of brewing beer for personal use, made from malt on which a duty of 3 cents per pound only has been paid and in storage in brewers' licensed premises on July 1, 1934, per gallon	7
(*h*) Malt syrup suitable for the brewing of beer, which means and includes malt syrup, malt syrup powder, extract of malt (fluid or not) and any other malt product suitable for the brewing of beer, manufactured or produced in Canada and on hand on July 1, 1934, per pound	13
(*i*) Malt syrup manufactured or produced in Canada on and after July 1, 1934, per pound	10
(*j*) Malt syrup imported into Canada and entered for consumption, per pound	16

5. TOBACCO [12]

Tobacco is taxed at the following rates:

(*a*) Tobacco manufactured in Canada, per net pound	20 cents.
(*b*) Foreign leaf tobacco imported into Canada for use in licensed tobacco and cigar factories:	
(i) Unstemmed, per standard pound	40 cents.
(ii) Stemmed, per standard pound	60 cents.
(*c*) Cigars, manufactured in Canada and sold for consumption, per 1,000	$3.
(*d*) Cigars, manufactured in Canada or on duty paid value when imported:[13]	
(i) Value $40 per 1,000	50 cents per 1,000.
(ii) Value over $40 per 1,000	$3 to $16 per 1,000.
(*e*) Cigarettes manufactured in Canada and sold for consumption:	
(i) Weight not over 3 pounds per 1,000	$4 per 1,000.
(ii) Weight over 3 pounds per 1,000	$11 per 1,000.
(*f*) Cigarette tubes	4 cents per 100.

6. AUTOMOBILES [14]

Automobiles are taxed on the sale price when manufactured in Canada, or on duty-paid value when imported. The rates are as follows:

	Percent
(*a*) Value not over $1,200 each	5
(*b*) Value over $1,200 each:	
(i) On first $1,200	5
(ii) On amount in excess of $1,200	10

[10] The Dominion of Canada national government tax system as of Jan. 1, 1934. Chart prepared by Department of Finance (Tax Systems of the World, 4th ed. 1934, p. 189).
[11] 20–21 Geo. V, ch. 18, sec. 10; R.S. 1927, ch. 60, sec. 198; ch. 52, 1934.
[12] R.S. 1927, ch. 60, sec. 275, as amended by ch. 8, 1932–33, sec. 3, except as noted, and by ch. 52, 1934.
[13] Special War Revenue Act, office consolidation 1933, schedule II.
[14] Special War Revenue Act, office consolidation 1933, schedule I. The tax does not apply to automobiles entered as settlers' effects; further automobiles valued at $1,200 or under manufactured in Canada or imported under the British preferential tariff or from countries enjoying the most-favored-nation treatment, providing 50 percent of the cost of producing the finished automobile has been incurred in the said countries, are exempt from this tax.

7. MATCHES [15]

Every package of matches manufactured in Canada or imported is taxed from three-twentieths to three-fourths of 1 cent, according to the size of the package.

8. PLAYING CARDS [16]

Playing cards manufactured in Canada or imported are taxed 10 cents per pack of 54 cards.

9. WINES [17]

Wines of Canadian manufacture sold for home consumption are taxed at the following rates:

(a) Wines of all kinds except sparkling wines, containing not more than 40 percent of proof spirit	7½ cents per gallon.
(b) Champagne and all other sparkling wines	$0.75 per gallon.

10. CHECKS, MONEY ORDERS, TRAVELERS' CHECKS, BANK RECEIPTS, POSTAL NOTES, BILLS OF EXCHANGE, PROMISSORY NOTES [18]

Checks, money orders, travelers' checks, bank receipts, bills of exchange and promissory notes are taxed:

	Cents
(a) On value up to $100	3
(b) On value over $100	6

Postal notes are taxed at the rate of 1 cent if the amount for which the note is issued is no more than $1, and 3 cents if the amount exceeds $1.

11. STOCK TRANSFER TAX [19]

Scope.—There is imposed an excise tax upon every change of ownership consequent upon the sale, transfer, or assignment of any share of the capital stock of any association, company, or corporation, or of any bond, debenture, or share of debenture stock, or of any participating interest in the operations or profits of any association, company, or corporation, represented by certificates or other instruments of title capable of being sold, transferred, or assigned, including mineral deeds, oil royalties, and fixed investment trust shares issued by a trustee and representing equitable ownership in deposited securities.

Rates.—The tax is levied at the following rates:

(a) For every $100 or fraction thereof of the par value of a bond, debenture, or debenture stock	3 cents.
(b) For every share of stock sold or transferred at a price over $150 per share	5 cents.
(c) For every share of stock sold or transferred at a price over $75 per share but not more than $150 per share	4 cents.
(d) For every share of stock sold or transferred at a price over $50 per share but not more than $75 per share	3 cents.
(e) For every share of stock sold or transferred at a price over $25 per share but not more than $50 per share	2 cents.
(f) For every share of stock sold or transferred at a price over $5 per share but not more than $25 per share	1 cent.

[15] Special War Revenue Act, office consolidation 1933, sec. 76.
[16] Ibid., sec. 82.
[17] Special War Revenue Act, office consolidation 1933, sec. 83 as amended by ch. 52, 1934, sec. 7.
[18] Ibid., secs. 44, 45, 65, 69, 70. The tax is not due on payments, etc., of $5 or less made for certain farm produce or by municipal corporations for unemployment relief.
[19] Ibid., secs. 58–63; ch. 42, 1934, sec. 1.

(*g*) For every share of stock sold or transferred at a price of $1 to $5 per share but not more than $5 per share	¼ of 1 cent.
(*h*) For every share of stock sold or transferred at a price less than $1 per share	1/10 of 1 percent of value.

Share of stock defined.—The words "share of stock" in paragraphs (b) to (h) above are deemed to include any participating interest in the operations or profits of any association, company, or corporation represented by certificates or other instruments of title capable of being sold, transferred, or assigned.

Change of ownership otherwise than by sale.—Except as hereinafter provided, if a change of ownership otherwise than by sale is effected of any share of stock, such change of ownership is subject to the stock transfer tax, computed on the basis of the current market price of the aforesaid share of stock.

Fixing of sale price in certain cases.—In any case where a current market price has not been established by recent sales, or where it is difficult to ascertain the value of the shares of stock, the Minister of National Revenue may fix a price which shall be the price on which the tax is to be paid.

Exemptions.—The following transactions are not subject to the stock transfer tax:

(*a*) The sale, transfer, or assignment of any bond, debenture, or share of debenture stock of the Dominion of Canada or of any Province of Canada;

(*b*) The allotment by any association, company, or corporation of its shares, in order to effect an issue thereof, and the first issue of a bond, debenture, or share of debenture stock, or of any participating interest in the operations or profits of any association, company, or corporation, represented by certificates or other instruments of title capable of being sold, transferred, or assigned;

(*c*) The sale to any person resident and domiciled outside of Canada of any bond, debenture, or share of debenture stock, provided such sale is duly completed by a delivery of the certificate or other instrument of title from a point in Canada to a point outside of Canada;

(*d*) Any transmission on account of death;

(*e*) Any gift made inter vivos in consideration of natural love and affection, or to a religious, charitable, or educational institution.

Penalty for neglect or refusal to pay tax.—Any person liable to the tax who neglects or refuses to pay the same, or who violates any of the provisions relative to the tax for which no other penalty is provided, is liable upon summary conviction to a penalty not exceeding $500.

12. CABLE, RADIO, TELEGRAPH, AND LONG-DISTANCE TELEPHONE MESSAGES [20]

There is levied an excise tax on cable, radio, telegraph, and long-distance telephone messages at the following rates:

		Cents
(*a*) On every cable, radio, and telegraph message originating in Canada		5
(*b*) On every long-distance telephone message, as follows:		
On public pay-station calls over 25 cents and less than 80 cents		5
On each 80 cents or fraction of 80 cents		5
On subscriber calls over 15 cents each	percent	6
Maximum tax on a single message		25

[20] Special War Revenue Act, office consolidation 1933, secs. 24–30.

13. TAX ON SEATS, BERTHS, ETC., ON RAILWAYS [21]

On every seat, berth, and other sleeping accommodation sold on a railway conveyance, there is levied an excise tax of—

(a) 10 cents per seat.
(b) 10 percent of sale price per berth or other sleeping accommodation (minimum charge, 25 cents).

14. SUGAR [22]

Sugar is taxed at the following rates:

	Per pound
(a) Sugar, invert sugar and sirup	1 cent
(b) Glucose and grape sugar (except when for use exclusively in the manufacture of leather and artificial sirup)	½ cent

3. TAXATION OF INHERITANCE

There is no federal inheritance tax for the whole of the Dominion of Canada similar to the Federal estate-tax act which applies to the whole United States. Imposition of the inheritance tax is purely a provincial matter.[23]

4. OTHER TAXES [24]

1. TAX ON CHARTERED BANKS [25]

Chartered banks pay a tax of 1 percent upon the average amount of notes in circulation. If the greatest amount of notes exceeds the paid-up capital, an amount equal to the paid-up capital is taken as the basis in calculating the average.

2. TAX ON INSURANCE COMPANIES [26]

There is levied upon insurance companies the following taxes:
On the net premiums [27] received in Canada—

	Percent
(a) By mutual insurance companies on premium deposit plan and exchanges	2
(b) By all other insurance companies, except life and marine	1

On the net premium payable or paid on all insurance—

Written with British or foreign, etc., unlicensed companies	10

3. SURTAX ON LETTERS AND POST CARDS [28]

On every letter and post card, except any letter or post card entitled to the privilege of free transmission, there is levied in addition to the regular postage a surtax of 1 cent.

[21] Special War Revenue Act, office consolidation 1933, secs. 31–41.
[22] Special War Revenue Act, office consolidation 1933, schedule II, p. 33; ch. 42, 1934, sec. 17.
[23] Inheritance tax service 1932–34, vol. III, p. 9503 (Commerce Clearing House, Inc.) For provincial taxation of inheritance, see pt. V, ch. 2, p. 71–89.
[24] Source: The statutes of Canada to date and the table prepared by the Department of Finance (Tax Systems of the World, 5th ed., 1934, p. 189).
[25] Special War Revenue Act, R.S. 1927, ch. 179, sec. 3. This tax is administered by the Department of Finance.
[26] Special War Revenue Act, R.S. 1927, ch. 179, pt. III, as amended by ch. 54, 1932, sec. 1. This tax is administered by the Department of Insurance.
[27] "Net premiums" means the gross premiums received or receivable by the company or paid or payable by the insured less the rebates and return premiums paid on the cancelation of policies; provided that in the case of a mutual company which carries on business on the premium deposit plan and in the case of an exchange "net premiums" means the actual net cost of the insurance to the insured during the taxation period together with interest on the excess of the premium deposit over such net cost at the average rate earned by the company on its funds during the said period (R.S. 1927, ch. 179, sec. 13(f) as amended by ch. 54, 1932, sec. 1).
[28] Special War Revenue Act, office consolidation 1933, sec. 71. This tax is administered by the Postmaster General.

4. TAX ON EXPORT OF ELECTRICAL ENERGY [29]

The export of electrical energy is taxed three one-hundredths of 1 cent per kilowatt-hour.

5. EXPORT TAX ON GOLD FROM YUKON [30]

On all gold shipped from the Yukon Territory there is levied a royalty tax of 37½ cents per ounce. Gold upon which this tax is payable is gold dust as mined, or gold in the form of bars as presented for export.

6. FUR EXPORT TAX [31]

Under authority granted to him by the Governor in Council, the commissioner of the Northwest Territories is given power to levy a tax upon furs to be shipped or carried after December 30, 1929, from the Northwest Territories to any other part of Canada or to any other country. The fur export tax ordinance, providing for the collecting of such tax, was assented to by the commissioner in council of the Northwest Territories on May 7, 1929, and became effective on December 31, 1929.[32] The present rate of the tax is 5 percent of the value of the fur.

7. TAX ON GOLD SALES AT MINT [33]

In addition to any duty or tax payable under the Special War Revenue Act or any other statute or act, a tax of 25 percent is levied on the premium value of gold exported or deposited for sale at the Mint produced from ore mined in Canada by producers of gold who in the years 1932, 1933, and at any other time in the 6 months prior to April 19, 1934, paid dividends in cash or stock on preferred or common stock. The premium value shall be the difference between the price of $20.6718+ the ounce fine, established by the Currency Act, and the sale price of gold in the world market converted into Canadian currency at the prevailing rates of exchange. The amount of the tax shall be deducted from the proceeds of the sale of each deposit of gold subject to the tax.

The tax is not to operate so as to reduce the amount payable to the depositor or exporter below $30 the ounce fine in currency of Canada. The amount of the tax levied and collected in the fiscal year ending March 31, 1935, is to be reduced by the amount of income tax payable under the Income War Tax Act by the producer of gold on which the tax has been levied and collected for and in respect of the calendar year 1934 and the adjustment resulting therefrom is to be made when the amount of liability for income has been determined.

[29] R.S. 1927, ch. 54. The tax is imposed by proclamation of the Governor in Council, published in the Canada Gazette, and is administered by the Department of Trade and Commerce.
[30] R.S. 1927, ch. 216, sec. 83. The rate of the tax is fixed by the Governor in Council. The tax is administered by the Department of the Interior.
[31] R.S. 1927, ch. 142, sec. 10(1) (r). This tax is administered by the Department of the Interior.
[32] Annual report of the Department of the Interior for the fiscal year ended Mar. 31, 1930, p. 150.
[33] R.S. 1927, ch. 179, part XV, secs. 121–129, as amended by ch. 42, 1934, sec. 16. This part came into force on Apr. 19, 1934, and shall expire on May 31, 1935. For a discussion of the principles involved in the tax, see Appendix VII, p. 99-101.

Part IV

STATISTICS RELATIVE TO DOMINION TAXES

TABLE 1.—*Receipts from Dominion taxes,*

Taxes or duties	1920	1921	1922	1923	1924	1925
Income tax	$20,263,740	$46,381,824	$78,684,351	$59,711,564	$54,204,028	$56,248,043
Business profits (excess profits)	44,145,184	48,841,401	22,815,667	13,031,461	4,752,681	2,704,427
Customs duties	168,796,823	163,266,804	105,686,645	118,056,469	121,500,799	108,146,871
Acetic acid	6,007	1,955	100	100	100	100
Licenses	-----	179,080	119,118	68,420	58,020	36,211
Stamps	1,169,709	5,877,503	2,143,105	5,018,449	8,175,301	8,691,332
Matches	2,781,112	2,788,950	2,694,114	2,676,847	2,602,109	2,403,924
Automobiles	6,537,810	6,492,313	59,964	1,362,597	2,689,400	2,410,879
Confectionery	-----	1,319,955	350,524	442,271	176,564	-----
Playing cards	182,016	250,240	231,071	206,627	176,760	203,282
Malt and malt liquors	2,188,441	2,552,777	2,690,526	2,609,932	3,373,129	3,648,355
Methylated spirits	508,406	405,457	-----	-----	-----	-----
Spirits	8,950,241	5,757,463	6,224,061	7,985,808	9,371,063	9,363,661
Cigars	1,629,254	1,293,655	1,095,170	289,524	357,495	323,557
Tobacco (incl. snuff and cigarettes)	29,455,255	27,132,933	26,876,807	25,013,128	25,236,296	25,421,602
Manufactures in bond	124,171	76,508	16,525	18,225	18,725	17,675
Excise duties: miscellaneous receipts	112,064	165,482	6,700	10,426	8,040	7,344
Wines	-----	72,696	122,974	159,370	151,580	66,840
Beer, ale, porter	-----	4,942,882	1,246,523	2,612,465	4,234,539	4,669,337
Electric light	1,629,254	-----	-----	-----	-----	-----
Whiskey	-----	3,687,599	708,544	-----	-----	-----
Beverages and carbonic acid gas	-----	-----	-----	372,235	162,282	38,938
Tea	287,074	4,329	-----	-----	-----	-----
Jewelry	748,329	1,044,176	108,147	-----	-----	-----
Moving-picture films	241,397	39,624	[2] 12,975	-----	-----	-----
Piano players	[3] 46,591	67,885	-----	-----	-----	-----
Records and music rolls	353,372	218,457	([4])	-----	-----	-----
Phonographs	634,676	334,758	-----	-----	-----	-----
Sales (domestic)	-----	27,909,902	44,820,162	62,685,520	71,834,937	51,253,498
Boats, etc	-----	13,112	-----	-----	-----	-----
Cameras	-----	26,947	-----	-----	-----	-----
Chewing gum	-----	44,987	-----	-----	-----	-----
Pianos	-----	143,389	-----	-----	-----	-----
Organs	([5])	2,546	-----	-----	-----	-----
Musical instruments	-----	568	-----	-----	-----	-----
Firearms, shells, etc	-----	16,043	-----	-----	-----	-----
Chandeliers, gas and electric fixtures	-----	15,293	-----	-----	-----	-----
Perforators	-----	1,294	-----	-----	-----	-----
Transportation	[6] 2,170,702	2,633,306	2,534,670	2,234,091	2,400,431	2,420,930
Checks:						
Embossed	438,507	1,145,446	840,279	161,601	305,445	309,345
Departmental	-----	-----	-----	355,141	352,120	311,357
Importations:						
Sales	-----	10,218,161	16,698,589	28,576,753	29,155,141	15,453,872
Excise	-----	9,839,608	1,212,355	768,002	836,723	723,685
Special excise	-----	-----	-----	-----	-----	-----
Excise taxes (domestic and importations): penalties and interest	-----	-----	-----	-----	-----	-----
Chartered banks	1,170,223	1,257,534	1,293,697	1,244,437	1,236,957	1,217,754
Trust and loan companies	274,216	293,802	283,994	312,392	308,632	315,315
Insurance companies	638,731	807,667	749,959	852,328	857,587	867,902
Export of electrical energy	-----	-----	-----	-----	-----	-----
Export tax on gold from Yukon	41,464	31,126	30,775	25,819	28,409	15,636
Fur export tax	-----	-----	-----	-----	-----	-----
Weights and measures; gas and law stamps	[10] 7,490	[10] 9,423	-----	-----	-----	-----
Total	295,532,259	377,506,860	320,358,091	336,862,002	344,565,293	297,321,672

[1] Sources: Canada Yearbook, 1920–33; annual reports of the Department of Trade and Commerce, of the Department of the Interior, and of the Postmaster General. For the years 1932–33 and 1934–35, see Appendix VII, p. 102.
[2] Includes records and music rolls.
[3] Includes organs.
[4] Included with moving-picture films.
[5] Included with piano players.

fiscal year ended Mar. 31, 1920–32 [1]

1926	1927	1928	1929	1930	1931	1932	Total, 1920–32
$55,571,962	$47,386,309	$56,571,047	$59,422,323	$69,020,726	$71,048,022	$61,254,400	$735,768,339
1,173,449	710,102	956,031	455,232	173,300	34,430	3,000	139,796,365
127,355,144	141,968,678	156,985,818	187,206,332	179,429,920	131,208,955	104,132,677	1,813,741,935
100	150	150	150	150	200	100	9,362
35,666	37,036	35,839	38,690	44,530	38,339	37,127	728,076
9,278,589	8,880,517	4,411,086	3,867,810	5,559,844	3,609,180	2,852,913	69,535,338
2,191,999	2,874,728	2,148,431	1,502,395	1,794,556	1,838,232	1,949,470	30,246,867
3,474,991	2,208,582	838,286	1,025,661	742,471	398,444	332,668	28,574,066
							2,289,314
277,929	286,022	549,896	576,883	593,052	537,315	460,504	4,531,597
3,954,707	4,045,390	4,526,311	5,107,385	4,843,299	4,529,187	4,024,624	48,094,063
							913,863
10,932,578	13,904,584	18,267,537	19,344,599	18,534,658	11,821,701	8,160,573	148,648,527
321,807	311,701	320,627	328,764	329,217	256,551	217,938	7,075,260
27,919,051	30,638,418	34,702,359	39,307,618	41,671,417	41,701,707	36,650,559	411,727,150
17,250	17,350	17,700	17,020	17,950	17,150	17,300	393,549
7,245	7,176	8,170	7,673	8,322	7,749	8,405	364,796
95,459	118,080	170,987	211,717	299,466	262,225	258,061	1,989,455
5,466,628	5,198,503	6,320,590	7,953,133	7,475,125	6,541,366	6,297,859	62,958,950
							1,629,254
							4,396,143
38,279	27,550						639,284
							291,403
							1,900,652
							293,996
							114,476
							571,829
							969,434
57,253,867	63,940,130	55,379,084	49,151,636	34,936,376	16,586,976	34,557,788	570,309,876
							13,112
							26,947
							44,987
							143,389
							2,546
							568
							16,043
							15,293
							1,294
2,404,371	2,452,780	2,534,982	2,647,801	650,172	204		25,084,440
345,013	368,238	174,553	13,276	3,973	790		4,106,466
149,585	76,521	174,957	195,201	186,240	187,337	194,372	2,182,831
16,771,226	18,365,540	16,721,160	14,495,036	9,922,325	4,196,929	7,834,822	188,409,554
1,122,924	1,577,400	2,060,061	2,130,360	1,748,665	886,681	253,505	23,159,969
						4,982,217	4,982,217
		146,783	183,934	169,452	278,577	219,032	997,778
1,176,869	1,174,665	1,224,645	1,242,399	1,408,420	1,429,264	1,390,121	16,466,985
326,714	335,368	345,430	7,641	[7] 626	6		2,802,884
950,221	947,830	999,003	894,864	74,416	74,250	12,152	8,726,910
[8] 288,992	358,072	374,351	351,784	318,792	395,545	183,437	2,270,973
21,996	12,438	14,206	16,367	16,438	16,372	20,307	291,353
				[9] 759	89,084	124,741	214,584
							16,913
328,924,611	348,229,858	366,980,080	397,703,684	379,973,405	297,992,768	276,430,672	4,368,381,255

[6] Includes telegrams.
[7] There were refunds in excess of revenue of $626 for 1930.
[8] The Electricity and Exportation Act was passed on Apr. 27, 1907, but no export duty was imposed until Apr. 1, 1925.
[9] Period covered: January to March 1930.
[10] Law stamps only.

TABLE 2.—*Per capita Dominion tax receipts, 1919–32*

[Source: Canada Year Book, 1925, 1927–28, 1933.]

Fiscal year ended Mar. 31—	Customs	Excise	War-tax revenue						Total per-capita tax
			Banks	Trust and loan companies	Insurance companies	Business profits	Income tax	Sales tax, tax on checks, transportation tax, etc.	
1919									$27.56
1920	$19.56	$4.95	$0.14	$0.03	$0.07	$5.11	$2.34	$1.81	34.01
1921	18.58	4.22	.14	.03	.09	4.65	5.28	8.97	41.96
1922	11.86	4.13	.15	.03	.08	2.56	8.83	8.27	35.91
1923	13.08	3.96	.14	.04	.09	1.44	6.61	11.80	37.16
1924	13.28	4.17	.14	.03	.09	.52	5.92	13.19	37.34
1925	11.67	4.17	.13	.03	.09	.29	6.07	9.26	31.71
1926	13.48	4.54	.12	.03	.10	.12	5.88	10.39	34.66
1927	14.74	5.04	.12	.03	.10	.07	4.92	10.96	35.98
1928	15.96	5.84	.12	.04	.10	.10	5.75	9.18	37.09
1929	18.67	6.35	.12		.09	.05	5.92	8.29	34.49
1930	17.59	6.37	.14			.01	6.76	6.22	37.09
1931	12.65	5.56	.14				6.85	3.35	28.55
1932	9.92	4.63	.13				5.83	5.67	26.18

PART V
PROVINCIAL TAXATION

PART V.—PROVINCIAL TAXATION

INTRODUCTION

Whereas in the earlier years the Dominion subsidies, together with the revenues arising from the natural resources of the Provinces and from fees for specific services rendered to the citizens, nearly sufficed to cover the whole expenses of government and rendered a resort to taxation for provincial purposes practically unnecessary in most of the Provinces, the great increase in the functions of government since the commencement of the present century has put an end to this state of affairs. The aggregate amount of taxation for provincial purposes in the fiscal years prior to 1916 is unfortunately not available. Since that time provincial taxation has increased, according to the analyses made in the Dominion Bureau of Statistics, from $15,025,281 in 1916 to $92,550,438 in 1931, exclusive of liquor traffic profits, licenses, etc., an increase of over sixfold in 15 years.[1]

1. TAXES OTHER THAN INHERITANCE TAXES

ALBERTA

1. Income Tax [2]

Scope.—The Income Tax Act, 1932, imposes a tax on all income of every person resident in the Province, and on the income earned within the Province by nonresidents. The tax applies to the net income of all individuals, partnerships, syndicates, associations, corporations, agents, and trustees.

Rates.—The rates applicable to persons other than corporations and joint-stock companies are as follows:

On the excess of income over the amount exempt for taxation:	*Rate, percent*
Up to $2,000	1
Between $2,000 and $27,000, the rate is increased 1 percent per $1,000 up to	26
Over $27,000	26

The rate applicable to corporations and joint-stock companies is 4 percent.

Exemptions.—The first $750 of income is exempt. Among incomes not liable to taxation are those of married persons up to $1,500; children's exemption, $400; other dependents, $1,500; contributions to pension fund; Alberta provincial bonds issued exempt from income; World War pensions.

2. Corporation Tax [3]

Scope.—Every company transacting business in the Province of Alberta is required annually to pay to the provincial secretary a tax at the rates hereafter stated. A temporary surtax of 5 percent over these rates is leviable up to 1935, inclusive.

[1] Canada Year Book, 1933, p. 853.
[2] Statutes of Alberta, 1932, ch. 5, as amended by the Income Tax Act Amendment Acts, 1933 and 1934.
[3] R.S. of Alberta, 1922, ch. 29, as amended to 1934.

Rates.—The rates of the tax are as follows:

(*a*) Banks other than private banks:	
(i) In respect of its main branch, office, or agency in Alberta where the total number of branches, etc., of the bank in the Province is:	
Over 30	$4,000.
Between 15 and 30	$3,000.
Under 15	$2,000.
(ii) In respect of branches, etc., in Calgary, Edmonton, Lethbridge, Medicine Hat, and Red Deer, not taxed under no. i	$500.
(iii) In respect of every branch, etc., in Alberta not taxed under nos. i and ii	$200.
(*b*) Private banks:	
Situated in a village	$100.
Situated in any other place	$200.
Additional for each branch office or agency in the Province (not levied upon more than one office, branch, or agency in any one town or village)	$25.
(*c*) Electric lighting companies (electric works owned and operated by a municipality are exempt):	
In cities of 10,000 population or over in which it supplies electricity	$500.
In cities of under 10,000 population in which it supplies electricity	$100.
In incorporated towns and villages in which it supplies electricity	$25.
(*d*) Express companies:	
For each place other than a city or town with over 100 population in which company has an office, branch, or agency	$10.
For each incorporated town with less than 1,500 population in which company has an office, etc	$50.
For each incorporated town with less than 5,000 population in which company has an office, etc	$100.
For each incorporated city having 5,000 or more population other than the city of Edmonton or the city of Calgary in which company has an office, etc	$200.
For each of the cities of Edmonton and Calgary in which company has an office, etc	$500.
(*e*) Gas companies (other than a municipal corporation):	
Supplying manufactured gas in any city in the Province	$500.
Supplying or dealing in natural gas, for every 1,000 cubic feet of gas flowing, drawn, or pumped from or produced by a well owned, leased, occupied, or operated by such company [4]	1 cent.
(*f*) Grain companies, for each elevator used	$50.
(*g*) Insurance companies, on gross premiums received:	
Life or fire insurance companies	2 percent.
Other insurance companies	1 percent.
(*h*) Insurance companies which lend or invest money on securities in the Province and have invested in the Province over $50,000: Additional tax on gross income derived from total investments in the Province	¼ of 1 percent.
(*i*) Land companies, for every $1,000 invested in the Province	40 cents.
Minimum tax payable:	
Where paid-up capital of company is—	
Under $50,000	$25.
Between $50,000 and $100,000	$50.
Over $100,000	$100.

[4] Where oil in paying quantities and natural gas are found in the same well, and the well is worked mainly for the production of oil, such gas is not subject to tax.

(*j*) Loan companies:	
(i) On gross income of such companies	½ of 1 percent.
Minimum tax payable:	
Where paid-up capital of company is—	
Under $50,000	$25.
Between $50,000 and $100,000	$50.
Over $100,000	$100.
(ii) On gross income of finance companies	1 percent.
(iii) On gross receipts of investment companies	¼ of 1 percent.
(*k*) Power companies (other than municipal corporations) doing business in a city or town of over 15,000	$1,000.
(*l*) Street- and electric-railway companies:	
Where whole line of track is 20 miles or less	$200.
For each additional mile of track	$20.
(*m*) Telegraph companies, on gross revenue	2 percent.
(*n*) Telephone companies, on each telephone instrument rented from company:	
In cities of 10,000 population or over	50 cents.
In cities of under 10,000 population and in incorporated towns and villages	25 cents.
(*o*) Trust companies, on gross income from total investments in the Province	1½ percent.
Minimum tax payable:	
Where paid-up capital of company is—	
$100,000 or less	$100.
Over $100,000	$175.
(*p*) Companies not otherwise taxed (other than grain companies taxed in respect of their elevators), for every $1,000 of authorized capital	40 cents or $10, whichever is the greater (maximum, $500).

3. Other Taxes

Other taxes include an amusement tax, a fuel-oil tax (established in 1932 and repealing the Gasoline Tax Act, 1929) of 6 cents per gallon, a land tax, and a tax on motor vehicles.

BRITISH COLUMBIA [5]

1. Income Tax

Scope.—An income tax is levied on all income [6] of every resident of the Province and on the income earned by nonresidents within the Province. The net income of all individuals, partnerships, syndicates, associations, corporations, agents, and trustees is liable to the tax.

Rates.—The rate of taxation commences at 1 percent on the first $1,000 of taxable income and is progressively increased by 1 percent on each additional $1,000 up to $19,000, over which the taxable rate is 10 percent on the whole of the taxable income. A surtax is imposed on every individual whose net income exceeds $5,000. The rate of the surtax commences at 1 percent on the first $2,500 by which the net income exceeds $5,000, and is progressively increased by 1 percent on each additional $2,500 up to 18 percent on the amount in excess of $47,500.

Exemptions.—There is no exempted minimum income. Exemptions granted: Married persons, $1,000; single persons, $600; children, $500; dependents, $200. Deductions allowed: Life-insurance premiums up to $300; contributions to pension funds; donations to

[5] R.S. of British Columbia, 1924, as amended to 1934; Memorandum on British Columbia taxation, 1933, furnished by the Commissioner of Income Tax of the Province of British Columbia.
[6] Income does not include so-called "capital profits."

organized charity up to 5 percent of net taxable income; farm income $1,000.

2. Other Taxes

There is a tax on land, also on personal property, levied at a rate according to the needs of the school district and in other than school districts at an annual rate of 2 mills to the dollar. The following special taxes are levied:

(*a*) Salmon canneries, fish reduction and whale-oil manufactories—income tax and license fees.	
(*b*) Coal and coke (alternative to income tax), per ton on output	10 cents.
(*c*) Mines and minerals (alternative to income tax):	
On smelter returns less treatment and transportation costs	2 percent.
Unworked Crown-granted mineral claims, per acre	25 cents.
(*d*) Corporations,[7] including insurance, guaranty, loan, trust, telephone, gas, waterworks, electric light and power, and street-railway companies	2¼ percent on gross revenue.
In the case of public utility companies where business is wholly confined to the Province and provided rates are set by statute and expenses exceed 50 percent of income, the rate is	1¼ percent.
(*e*) Telegraph and express companies: Flat fee per office, graduated according to population	From $10 to $750.
(*f*) Banks: [8]	
For each bank in the Province	$500.
For chief banking office in the Province (rate depending on whether there are more or less than 25 branches in the Province)	$4,000 or $10,000.
(*g*) Railways: [9] On assessed value of $10,000 per mile of main track or $3,000 for spurs and sidings	2 percent.

A tax of 7 cents per gallon of gasoline used in motor vehicles, a tax on amusements, a pari-mutuel tax of 7 percent, and a tax on motor vehicles are also levied.

MANITOBA

1. Income Tax

(A) NORMAL TAX [9a]

Scope.—Individuals, guardians, trustees, executors, administrators, agents, receivers, or any other individuals, firms, or corporations acting in a fiduciary capacity and the heirs, executors, etc., of such persons, not taxed under the Corporation Taxation Act, pay an income tax on net income, after all deductions and exemptions have been made.

Rates.—The rates on net taxable income are as follows:

(*a*) Individuals:	*Rate, percent*
On first $2,000	2
Between $2,000 and $20,000, on every $1,000	1
Between $20,000 and $100,000, on every $5,000	1
Between $100,000 and $200,000, on every $10,000	1
Between $200,000 and $500,000, on every $50,000	1
Over $500,000	50

If the income of single persons exceeds $1,200, an additional tax of 1 percent is added to the rates of taxation provided in the above schedule.

On net income of $5,000 or over there is levied a surtax of 5 percent on tax payable.

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[7] Except in the case of insurance companies, this tax is alternate to the tax on net income.
[8] Banks are also subject to income tax on bond business.
[9] Steamship, hotel, and other activities, operated in conjunction with railways, are subject to income tax.
[9a] Income Tax Act, Consolidated Amendments, 1924, ch. 91, as amended to 1932.

(b) Corporations:

All corporations and joint-stock companies carrying on business in Manitoba (except those liable under the Corporations Taxation Act), on net income earned in Manitoba	5

Exemptions.—Married persons, $1,500; single persons, $750; dependents, $500.

(B) SPECIAL TAX [10]

1. TAXATION OF WAGES

Scope.—Every employee, in addition to all other taxes to which he is liable, is required to pay a tax upon the amount of all wages earned by or accruing due to him on or after May 1, 1933. The tax is levied and collected by employers at the time of payment of wages to an employee.

Rate.—The rate of tax is 2 percent.

Exemptions.—No tax is paid on the wages of a married person receiving 40 cents an hour, $3.20 a day, $80 a month, or $960 a year or less, or of an unmarried person receiving 20 cents per hour, $1.60 a day, $40 a month, or $480 a year or less. An unmarried person having dependents residing with him or an annual income not exceeding $960, and a married person with an annual income not exceeding $960 may file a claim for refund of the tax.

2. TAXATION OF INCOME OTHER THAN WAGES

Scope.—In addition to all other taxes to which he is liable, every person other than a corporation must pay annually a tax upon the value of his taxable income other than wages.

Rate.—The rate of the tax is 2 percent.

Exemptions.—The total income (including wages) of a married person up to $960 a year, and of an unmarried person up to $480 a year are exempt from tax. Refund of the tax may be claimed by an unmarried person who has dependents residing with him if his total taxable income does not exceed $960 a year.

2. Corporation Tax [11]

Scope.—There is levied on all corporations (except those taxed under the Income Tax Act) a tax on a varying basis.

Rates.—The rates of the tax are as follows:

(a) Banks:	
Other than private banks:	
For the head office	$5,000.
For each principal office	$3,000.
For each branch office	$400 to $750.
Private banks	$750.
(b) Insurance companies, on gross premiums or ascertained assessments:	
Licensed insurers	3 percent.
Unlicensed insurers	10 percent.

[10] Special Income Tax Act, 1933, assented to May 4, 1933.

[11] Corporations Taxation Act, ch. 191, Consolidated Amendments, 1924, as amended by ch. 49, statutes of Manitoba, 1932.

(*c*) Loan companies, on gross revenue	¾ of 1 percent.
Minimum tax where paid-up capital is—	
Under $50,000	$25.
Between $50,000 and $100,000	$50.
Over $100,000	$100.
(*d*) Land companies, on every $1,000 invested	40 cents.
Minimum rate, same as for loan companies.	
(*e*) Trust companies:	
On gross revenue	2 percent.
Minimum tax where paid-up capital is—	
Under $100,000	$100.
Over $100,000	$175.
On gross earnings received from moneys invested on behalf of others, additional tax	1 percent.
(*f*) Telegraph companies:	
Not owned by railroad or other than telegraph company, on gross earnings	Amount determined by lieutenant governor (maximum, 2 percent).
Owned by railroad or other than telegraph company and used by public	$2,000.
(*g*) Telephone companies, on gross earnings	Amount determined by lieutenant governor (maximum, 2 percent).
(*h*) Express companies:	
For each incorporated town	$45.
For each incorporated city other than Winnipeg	$160.
In the city of Winnipeg:	
For the head office	$750.
For each branch office	$100.
(*i*) Gas and electric light:	
Up to 125,000 of population	$25 to $500.
For each additional 50,000 of population	$100.
(*j*) Street railways	$30 to $60 per mile

3. Other Taxes

On the gross earnings of railways [12] within the Province there is levied a tax at a rate not to exceed 2 percent of the said earnings.

Other taxes include a tax of 7 cents per gallon of gasoline used for motor vehicles, except farmers' tractors; a tax on amusements; a tax on municipal lands; a tax on the privilege of conducting insurance business, etc., and a tax on motor vehicles.

NEW BRUNSWICK

No annual taxes are imposed by the Province on individuals.

1. Corporation Tax [13]

Scope.—All extra provincial corporations carrying on business within the Province are taxed on the capital invested and used in conducting business within the Province. All partnerships, firms, associations, or persons carrying on an established business within the Province as a branch of any partnership, etc., without the Province are taxed at a rate determined by the governor in council, but not to exceed the tax payable by extra provincial corporations.

[12] Ch. 193, Consolidated Amendments 1913 and 1924, as amended by ch. 43, Statutes of Manitoba, 1931.

[13] R.S. of New Brunswick, 1927, chs. 16, 21, and 22, acts, 1929, ch. 15, and 1932, ch. 16; as amended to 1934 The New Brunswick provincial and local tax system. Chart prepared by Prof. W. C. Keirstead, University of New Brunswick (in Tax Systems of the World, 5th ed. 1934, p. 191).

Rates.—The rates of the corporation tax are:

(*a*) Insurance companies, on net premiums or fixed fees:	
Fire insurance	2 percent (minimum, $100).
Life insurance	$100 and 1½ percent.
Other insurance	2 percent (minimum, $25).
(*b*) Traveling agents or brokers, fixed license fee	$100.[14]
(*c*) Banks, on average volume of business during year (exclusive of banknotes circulation)	1/30 of 1 percent.[15]
(*d*) Trust and loan companies, fixed fee	Not over $500.
(*e*) Telegraph companies, on gross cash receipts within the Province	1½ percent.
(*f*) Express companies, on offices according to size of city, town, or village	$15 to $150.
(*g*) N.B. Telephone Co., on long-distance calls	10 percent.
(*h*) Other telephone companies, on gross earnings	1½ percent plus 25 cents for each telephone in use.
(*i*) Street railway companies, on mileage in operation	$50 to $100.
(*j*) Extra provincial corporations, on capital stock invested or used within the Province	1 percent (minimum, $100; maximum, $400).
(*k*) Partnership, firm, association, or person, fixed fee for the privilege of doing business	$5 per year.[16]

2. Other Taxes

A railway track mileage tax (exclusive of switches, spurs, and sidings) is levied at the rate of $50 to $100 per mile, according to gross earnings.[17]

Other taxes include a gasoline tax of 7 cents per gallon, a tax on amusements, and a tax on motor vehicles.

NOVA SCOTIA

No annual taxes are imposed by the Province on individuals.[17a]

1. Corporation Tax [18]

Scope.—A tax on the privilege of doing business in the Province is levied on corporations at varying rates.

[14] Ch. 16, 1932, adds one-half of the existing tax for 1932.
[15] Ch. 16, 1932, doubles the tax for 1932.
[16] Rate for 1932 (ch. 15, acts of N.B., 1932).
[17] R.S. of New Brunswick, 1927, ch. 17.
[17a] An income tax was enacted in 1919 (ch. 33), but has never been proclaimed.
[18] R.S. of Nova Scotia, 1923, as amended to 1934.

Rates.—The tax is levied at the following rates:

(*a*) Banks:	
With capital of $500,000 or more:	
With main office in Halifax—	
For main office in Halifax	$7,500.
For every branch in Halifax	$150.
For every branch elsewhere in the Province—	
First 10 branches	$600.
Next 10 branches	$300.
Over 20 branches	$150.
With main office in the Province—	
For main office	$2,000.
For every branch in the Province up to 10	$250.
With capital of less than $500,000—	
For main office	$1,000.
For every branch in the Province	$150.
On paid-up capital employed in Nova Scotia	1/10 of 1 percent.
On average monthly volume of business—	
Up to $15,000,000	1/20 of 1 percent.
Over $15,000,000	1/60 of 1 percent.
(*b*) Loan companies:	
On paid-up capital and amount invested	1/8 of 1 percent (minimum, $100).
With both permanent and terminating capital, on terminating capital in excess of $100,000, additional tax	1/15 of 1 percent.
With terminating capital only, on such capital in excess of $100,000 and on all moneys invested in Nova Scotia	1/8 of 1 percent.
(*c*) Trust companies:	
On paid-up capital:	
Up to $600,000	1/4 of 1 percent.
Each additional $100,000	1/8 of 1 percent.
(Minimum tax, $200.)	
On gross income:	
Up to $25,000	2 percent.
$25,000 to $75,000	2½ percent.
Over $75,000	2¾ percent.
(*d*) Insurance companies, on gross premiums	2 percent (minimum, $100).
(*e*) Finance companies:	
On paid-up capital	1/8 of 1 percent (minimum, $200).
Fixed levy	$250.
(*f*) Telegraph and cable companies:	
Investment in Province	1 percent.
Fixed charge	$500.
(*g*) Telephone companies:	
Paid-up capital	1/4 of 1 percent.
Capital in excess of $500,000	1/8 of 1 percent.
Gross income	3 percent.
For each telephone instrument	25 cents.
Long-distance calls over 25 cents	5 cents.
(*h*) Gas and electric companies:	
Capital	1/4 of 1 percent.
Paid-up capital in excess of $500,000	1/8 of 1 percent.
Gross income (when capital exceeds $30,000) [19]	3 percent.
For each meter	25 cents.
Income from operation of gas plants	2 percent.
(*i*) Express companies, for each 100 miles or fraction thereof	$1,250.
(*j*) Electric tramway companies, on gross income	1 percent.
(*k*) Railways, on mileage, per mile:	
1 track, main line, or branch line exceeding 60 miles	$50.
2 or more tracks, main line, additional tax	$30.
When mileage exceeds 60 miles:	
Per mile, 1 track, additional tax	$20.
Per mile, 2 or more tracks, additional tax	$15.

[19] Exclusive of street railways.

(*l*) Corporations having a paid-up capital in excess of $5,000:	
On such capital	⅛ of 1 percent. (Minimum: On $10,000 or less, $10; over $10,000 and under $25,000, $25; over $25,000, $50.)
Additional tax, on paid-up capital:	
Between $5,000,000 and $50,000,000	$\frac{1}{10}$ of 1 percent.
Over $50,000,000	$\frac{1}{5}$ of 1 percent.
(*m*) Reciprocal or interinsurance exchanges, on gross premiums	2½ percent.
(*n*) Public utilities, on excess of earnings over 8 percent of the fair value of its profits, assets, and undertakings	50 percent.
(*o*) Companies operating or maintaining branch or chain stores:	
5 stores or less, per store	$15.
Over 5 and not over 10 stores, per store in excess of the fifth up to and including the tenth, additional tax	$40.
Over 10 stores, per store in excess of the tenth, additional tax	$100.

2. Corporation License Tax [20]

In addition to other taxes, corporations pay annually for the privilege of doing business in Nova Scotia the following fees based on the nominal capital:

(*a*) Companies with a Nova Scotia or Dominion charter:
A fee ranging from $10 for capital of $5,000 or less to $200 for capital up to $1,000,000, and for capital in excess of $1,000,000, $200 plus 10 cents for every $1,000 in excess of $1,000,000.

(*b*) Companies incorporated under other charters:
A fee ranging from $50 for capital less than $10,000 to $200 for capital up to $500,000, and for capital in excess of $500,000, $200 plus 10 cents for every $1,000 in excess of $1,000,000.

For the purpose of taxation, the amount of the nominal capital of a company issued without par value shall be $5 per share, or the amount at which the shares are sold by the company, whichever is higher.

3. Other Taxes

Other taxes include a gasoline tax of 8 cents per gallon (gasoline used in farming and fishing exempt); a tax of 1 percent of the value of land in excess of 1,000 acres; a tax on amusements, and a tax on motor vehicles.

ONTARIO

No annual taxes are imposed by the Province on individuals.[21]

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[20] R.S. of Nova Scotia, 1923, ch. 173, as amended to 1931.

[21] The following are taxes levied and collected by municipalities:

Income tax.—Municipalities collect an income tax based on local tax rate. The tax is levied on (*a*) all income of individuals except such as is exempt from taxation; (*b*) all income of corporations not derived from business on which business tax is levied. Exemptions: Married persons, $3,000; each dependent, $400; single persons and corporations, $1,500; rents from Ontario property; dividends from Ontario mines.

Business tax.—The basis of the business tax is the occupation of premises for business purposes. The measure of the tax is the percentage of assessed value of premises occupied. Such percentage varies according to the class of business from 25 to 75 percent. The tax is levied equally upon all assessments and the rate is fixed locally to balance the budget.

General property tax.—This tax is based on the actual value of land and improvements on land. It is levied in the same manner as the income tax and the business tax (Assessment Act, R.S. of Ontario, 1927, ch. 238, as amended by ch. 39, 1928, ch. 63, 1929, and ch. 46, 1930).

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1. Corporation Tax

The Ontario Corporation Tax Act [22] imposes the following taxes for the privilege of doing business in Ontario:

(*a*) Insurance companies, on gross premiums in Ontario:	
(i) Life insurance companies [23]	1¾ percent.
(ii) Fire insurance companies	1⅔ percent.
(iii) Other insurance companies	2 percent, with additional ⅔ of 1 percent depending on place of incorporation.
(*b*) Gas and electric companies:	
On paid-up capital	1/10 of 1 percent.
On net revenue in Ontario	½ of 1 percent.
(*c*) Loan companies:	
On capital and funds invested in Ontario	1/20 of 1 percent (minimum, $100).
On terminating capital of loan companies with both permanent and terminating capital or with terminating capital only, and on all moneys invested in Ontario, exceeding $100,000, additional tax	1/25 of 1 percent.
On deposits:	
On each $100,000:	
Up to $1,000,000	$25.
Between $1,000,000 and $2,000,000	$15.
Over $2,000,000	$5.
(*d*) Finance companies dealing in second mortgages and lien notes:	
On paid-up capital	¼ of 1 percent.
For principal office in Ontario	$100.
(*e*) Trust companies:	
Capital:	
Up to $100,000	¼ of 1 percent.
Each additional $100,000	$100.
Gross income on business transacted in Ontario	1 percent.
(*f*) Banks:	
Capital	⅕ of 1 percent.
Reserve and undivided profits	1/10 of 1 percent.
Offices:	
Principal	$3,000.
Each branch in Ontario	$200.
(*g*) Railways, on track mileage in Ontario, according to total mileage, single or double track, whether in organized municipalities or in unorganized territory	$10 to $85 per mile.
(*h*) Street railways:	
According to total track mileage	$20 to $60 per mile.
Net earnings in cities	1 percent.
(*i*) Express companies, for each 100 miles of railway over which company operates	$800 (maximum $10,000).
(*j*) Telegraph companies, on money invested in Ontario	1 percent.
(*k*) Telephone companies, on capital used in Ontario	⅜ of 1 percent.
(*l*) Car companies, dining, sleeping, and parlor cars: On money invested in cars used in Ontario	1 percent.
(*m*) All other incorporated companies not already taxed: [24]	
Capital and surplus	1/10 of 1 per cent.
Each place of business	$50.
Net revenue	1 percent.

[22] R.S. of Ontario, 1927, ch. 29, as amended to 1933.

[23] On gross premiums less cash value of dividends paid to policyholders.

[24] Bonds not included in capital, and holding, investment, nonproducing mining and agricultural companies are exempt.

(n) Transfer or assignment of bonds, shares, or debenture stock:	
On the par value of a bond, debenture, or debenture stock, for every $100 or fraction thereof	3 cents.
On every share of stock sold or transferred at a price:	
Over $150	5 cents.
Between $75 and $150	4 cents.
Between $50 and $75	3 cents.
Between $25 and $50	2 cents.
Between $5 and $25	1 cent.
Between $1 and $5	¼ of 1 cent.
Less than $1	⅒ of 1 percent.
(o) Race track:	
Daily tax	$5,000.
Amount wagered through pari-mutual machines	5 percent.
(p) Liquor export companies, annual tax	$15,000.

2. Other Taxes

Among other taxes are a real property tax of 1 percent on value of land without municipal organization; a gasoline tax of 6 cents per gallon; permits to purchase liquor, $2 a year for residents, $2 a month for nonresidents; beer and wine permits, $1 a year for residents, $1 a month for nonresidents; a tax on amusements; a tax on theaters, public halls, projectionists, film exchanges, censorship; a tax on motor vehicles.

PRINCE EDWARD ISLAND

1. Income and Personal Property Tax [25]

Taxes on income and personal property are imposed upon all "persons", including individuals, partnerships, syndicates, trusts, corporations, agents, and trustees. When the tax upon income derived from personal property is greater than the tax upon the said property, the tax upon income shall be paid and vice versa. When such taxes are equal one tax only shall be paid.

(A) INCOME TAX

Scope.—The tax is payable upon net income after all exemptions and deductions have been made.

Rates.—The rates apply to the whole taxable income and are as follows:

	Rate percent
Up to $500	1
$500–$1,000	1½
$1,000–$2,000	2
$2,000–$3,000	2½
$3,000–$4,000	3
$4,000–$5,000	3½
$5,000–$6,000	4
$6,000–$8,000	4½
$8,000–$10,000	5
$10,000–$12,000	6
$12,000–$15,000	7
$15,000–$20,000	8
Over $20,000	10

[25] Income and Personal Property Taxation Act, 1924, as amended to 1933.

Exemptions.—(*a*) Married persons or unmarried persons in loco parentis, $1,000; (*b*) all other unmarried persons, $750; (*c*) soldiers, etc., having served overseas in the World War, married or unmarried in loco parentis, $1,500; others, $1,250 up to 1934.

(B) PERSONAL PROPERTY TAX

Scope.—"Personal property" includes everything capable of ownership except land, real estate, mortgages within the Province, and the stocks, bonds, or debentures of the Province or of incorporated cities or towns within the Province.

Rate.—The rate of tax is ½ of 1 percent of the assessed value.

(C) LAND TAX

Scope.—Tax is imposed on all real property beyond the limits of incorporated cities and towns.

Rate.—The rate of tax is two-fifths of 1 percent.

Exemptions.—The following property is exempt from tax: Public property, property of overseas World War veterans (until 1934), church property, Indian reserves, cooperative cheese and butter factories, educational and charitable institutions.

2. Taxes on Corporations [26]

The following companies pay special taxes:

	Rate of tax
(*a*) Fire insurance companies:	
With head office outside Province, fixed fee	$225.
With head office within Province, fixed fee	$100.
(*b*) Life insurance companies, on gross premiums received within Province	1 percent (minimum, $100).
(*c*) Accident and guaranty companies:	
Accident companies, fixed fee	$75.
Guaranty companies, fixed fee	$50.
Companies doing both accident and guaranty business, fixed fee	$100.
(*d*) Trust and loan companies, fixed fee	$400.
(*e*) Building and loan companies, fixed fee	$150.
(*f*) Telegraph companies, fixed fee	$800.
(*g*) Banks, on average amount of loans and deposits:	
Value up to $2,500,000	⅛ of 1 percent (minimum, $1,466).
Value exceeding $2,500,000	⅒ of 1 percent (minimum, $2,500).
(*h*) Common carriers: Corporations or persons transporting freight or passengers by steamships within the Province, or between the Province and another Province of Canada or a foreign country, fixed charge, each	$150.
(*i*) Nonresidents selling stocks, etc., in the Province, fixed fee	$150.
(*j*) Nonresident stock or investment brokers doing business in the Province, on gross earnings	5 percent (minimum, $200).
(*k*) Resident stock or investment brokers doing business in the Province, on gross earnings	5 percent (minimum, $150).

[26] Income and Personal Property Taxation Act, 1924, as amended to 1933.

(*l*)	Express companies doing business in the Province whose principal office or organization is outside the Province, fixed charge, each	$500.
(*m*)	Automobile acceptance or finance companies, fixed charge	$200.

3. Other Taxes

Other taxes include: A tax on motor vehicles, a gasoline tax, and a tax on amusements.

QUEBEC

No annual taxes are imposed by the province on individuals.

1. Corporation Tax [27]

Every one of the following companies, corporations, partnerships, associations, firms, and persons doing business in the Province of Quebec, in his or its own name or through an agent, pays the several taxes mentioned and specified below.

In addition to these taxes, there is levied a surtax of 1½ percent on the profits earned in the Province by all the companies (except banks and railway companies) liable to the corporation tax.

(*a*) Incorporated companies: Every incorporated company "doing business or carrying on any undertaking, trade, or business"[28] in the Province (except newspapers, periodicals, mutual insurance, toll bridges, drainage, agriculture, and colonization, and butter and cheese companies) pays—	
On amount of paid-up capital	1/10 of 1 percent.[29]
On profits	1½ percent.
Additional tax for Montreal and Quebec [30]	$30.
Additional tax in other places [30]	$15.
(*b*) Banks:	
On amount of paid-up capital	1/10 of 1 percent.
On each head office or chief place of business in Montreal and Quebec	$200.
On each office or place of business—	
In Montreal or Quebec	$150.
In any other place	$30.
(*c*) Insurance companies:	
On gross premiums received:	
Life insurance companies doing business in the Province	1¾ percent (minimum, $400).
Other insurance companies	1 percent (minimum, $250).
On amount of business: Marine insurance	$250.
On net premiums: Reciprocal insurance contracts	1 percent.

[27] R.S. of Quebec, 1925, ch. 26, as amended to 1934.

[28] "Doing business or carrying on any undertaking, trade, or business" means "exercising any of the corporate rights, powers, or objects in the Province." The taking of orders, the purchase or sale of merchandise and other effects, by means of travelers or mail does not render a company liable for taxation if it has no resident agent or representative in the Province.

[29] Since July 1, 1933, this tax is payable by the trustee in bankruptcy, trustee, liquidator, or receiver who continues, as such, to carry on the business in the Province of any corporation, company, partnership, firm, association, or person normally subject to tax (ch. 13, 1934, sec. 1 (*b*)).

[30] If the amount of paid-up capital of a company is less than $25,000, these additional taxes are reduced to one-half. In the case of extraprovincial companies, the lieutenant-governor in council may grant a reduction of the tax of one-tenth of 1 percent on the paid-up capital.

(*d*) Loan companies:	
With fixed capital—	
Over $500,000	$400.
Plus for each $1,000,000 or fraction thereof over $1,000,000, an additional	$50.
Between $400,000 and $500,000	$300.
Between $300,000 and $400,000	$250.
Between $200,000 and $300,000	$200.
Between $100,000 and $200,000	$150.
Under $100,000 (on amount of capital)	$\frac{1}{10}$ of 1 percent.
Without fixed capital	$100.
Additional tax:	
On each office or place of business in Montreal and Quebec—	
Where fixed capital exceeds $100,000	$100.
Where there is no fixed capital or fixed capital does not exceed $100,000	$50.
On each office or place of business in any other place—	
Where fixed capital exceeds $100,000	$50.
Where there is no fixed capital or fixed capital does not exceed $100,000	$25.
(*e*) Navigation companies:	
On paid-up capital:	
Up to $500,000	$\frac{1}{10}$ of 1 percent.
For each additional $100,000 or fraction thereof	$50.
Additional tax on each head office or chief place of business—	
In Montreal and Quebec	$50.
In any other place	$20.
(*f*) Telegraph companies, fixed charge	$1,000.
(*g*) Telephone companies, on paid-up capital	$\frac{1}{10}$ of 1 percent.
(*h*) Express companies:	
Extraprovincial companies: On gross earnings	$\frac{5}{10}$ of 1 percent (minimum, $800).
Additional tax for each place of business—	
In Montreal and Quebec	$50.
In any other place	$20.
Foreign companies carrying on other than an express business exclusively (in addition to the tax on extra provincial companies), on gross earnings	$\frac{1}{2}$ of 1 percent.
(*i*) Street railways, on track mileage:	
Single track	$50 per mile.[31]
Double track	$100 per mile.
(*j*) Railway companies, on track mileage (exclusive of sidings, spurs, or switches):	
Single track	$60 per mile.
Each additional track	$40 per mile.
(*k*) Sleeping or parlor car companies: On capital invested in cars used in Province	$\frac{1}{3}$ of 1 percent.
Additional tax for each office or place of business—	
In Montreal and Quebec	$50.
In any other place	$20.
(*l*) Trust companies:	
On paid-up capital:	
Up to $1,000,000	$\frac{1}{5}$ of 1 percent.
For each additional $100,000 or fraction thereof	$25.
Additional tax for each office or place of business—	
In Montreal and Quebec	$50.
In any other place	$20.

[31] This tax is now also levied for each mile of bus route in operation (ch. 13, 1934, sec. 1).

(*m*) Foreign companies not otherwise taxed under the Corporation Tax Act:[32]	
On gross earnings	1/10 of 1 percent (minimum, $50).
Additional tax for each office or place of business—	
In Montreal and Quebec	$30.
In any other place	$15.

2. Stock Transfer Tax [33]

There is levied a tax (*a*) upon every change of securities,[34] consequent upon the sale, transfer, or assignment thereof, made or carried into effect in the Province, and (*b*) upon every order given in the Province for the sale or assignment of securities, if such order is executed outside the Province.

The rates of the tax are as follows:

	Cents
Securities having a par value of—	
Less than $10, per security	2
Between $10 and $100, per security	3
Over $100, for every additional $100 or fraction thereof, per security	3
However, if the market value of the security is less than $10 the rate of the tax is only 2 cents for every such security.	
Shares or units having no par value:[35]	
Market value less than $10, per share or unit	2
Market value between $10 and $100, per share or unit	3
Market value over $100, for every additional $100 or fraction thereof, per share or unit	3
Mining shares having no fixed par value, issued by a mining company, for every $100 or fraction thereof of the market value of such shares	3

3. Property Transfer Duty [36]

Every transfer, sale, or conveyance of immovable property by a trustee or other authorized person under the provisions of the Dominion Bankruptcy Act, and every transfer, etc., by a liquidator by private agreement under the Dominion Winding-Up Act, or affected by him at public auction, is subject to the payment, by the acquirer, of a duty of 2½ percent, for the benefit of His Majesty.

4. Other Taxes

Other taxes include a tax on amusements; a gasoline tax of 6 cents per gallon; a tax on motor vehicles; a stamp tax on bottled alcohol and spirits, the proceeds of which are deposited into a special fund set apart for the reimbursement, in capital and interest, of the loans made or to be made in aid to the unemployed; a duty of 5 percent on the price of every meal in hotels, restaurants, etc., of 35 cents or more. The proceeds of this duty (known as the "hospital duty") are turned over entirely to the public charities.

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[32] These include partnerships, associations, firms, or persons whose chief office or place of business is outside Canada.

[33] R.S. of Quebec, 1925, ch. 28, as amended to 1932.

[34] Except the first change in ownership resulting from the sale, transfer, or assignment by the corporation or company which issues such securities. The word "securities" means and includes (*a*) any share, debenture, debenture stock, and any bond issued, by any corporation, company, or foreign government, (*b*) any undivided interest commonly called a "unit," in a group of shares, debenture, debenture stock; and/or bonds held in trust or in ownership by a person, firm, or corporation, evidenced by any document whatsoever (ch. 24, 1932, secs. 1–2).

[35] Each share of no par value stock is deemed to have a minimum value of $5 for the purpose of computing the capital tax payable.

[36] R.S. of Quebec, ch. 28, as amended to 1932.

SASKATCHEWAN

1. Income Tax [37]

Scope.—There is levied upon the income during the preceding calendar year of every person residing, remaining 103 days or employed during a year, of nonresidents carrying on business in the Province or deriving therefrom income from services, and of corporations and joint-stock companies, a tax upon the amount of income[38] in excess of the exemptions granted by law.

Rates.—The rates of the tax are as follows:

(*a*) Rates applicable to persons:
- 1 percent on first $500.
- 1 percent on each additional—
  - $1,000, up to $20,000.
  - $5,000, between $20,000 and $100,000.
  - $10,000, between $100,000 and $150,000.
  - $25,000, between $150,000 and $200,000.
  - $50,000, between $200,000 and $500,000.
- On the excess over $500,000, the rate of the tax is 49 percent.

(*b*) Rate applicable to corporations and joint-stock companies ..... 4 per cent.

Exemptions.—Exempted minimum, $750; married persons or householders with dependents, $1,500; children, $300; subject to reciprocity, income tax paid to Great Britain, British colonies, or Dominion of Canada; World War pensions, etc.

2. Corporation Tax [39]

Every company or corporation registered under the Companies Act or which transacts business in Saskatchewan pays tax as follows:

(*a*) Banks:	
For the head office in the Province:	
Where bank has 10 or more branches in Saskatchewan	$3,000.
Where bank has less than 10 such branches	$1.500.
For branches:	
For the first or main branch office in a city (other than the head offica the Province)	$400.
For every other branch office	$250.
Private bankers pay an additional tax:	
For head office—	
In a city or town	$200.
In a village	$100.
For each branch office	$25.
(*b*) Companies (other than a bank or private banker) receiving money on deposit, in addition to all other taxes	$300.
(*c*) Finance corporations, on gross revenue from interest on loan (in addition to all other taxes)	10 percent.
(*d*) Insurance companies: [40]	
On gross premiums—	
Under $50,000	1 percent.
Between $50,000 and $100,000	1¼ percent.
Between $100,000 and $150,000	1½ percent.
Between $150,000 and $200,000	1¾ percent.
Over $200,000	2 percent.

[37] Statutes of Saskatchewan, ch. 9, 1932, as amended to 1934.

[38] The definition of "income" for the purposes of the tax is substantially the same as for the Dominion tax (supra, p. 10.)

[39] R.S. of Saskatchewan, ch. 38, as amended to 1934.

[40] The rates of tax on insurance companies have been "increased by one-half for all payments to be made during the year beginning on the first day of May 1934, and ending on the thirtieth day of April 1935." (Ch. 7, 1934.)

(*d*) Insurance companies—Continued.	
The minimum tax payable by an insurance company is $100 where the authorized capital of the company is $100,000 or less, and $175 where the authorized capital exceeds $100,000.	
On investments in the Province exceeding $25,000, for every $1,000	40 cents.
(*e*) Land companies, on amount of business, for every $1,000	40 cents.
(*f*) Loan companies, on amount invested, for every $1,000	40 cents.
The minimum tax payable by a loan company is $25 when the authorized capital is less than $50,000, $50 when the authorized capital is between $50,000 and $100,000, and $100 when the authorized capital is over $100,000.	
(*g*) Telegraph companies, on gross earnings	1 percent (maximum, $2,000).
(*h*) Express companies:	
In a city	$150.
In a town	$50.
For each office in any other place	$10.
(*i*) Trust companies, on gross revenue:	
From invested company funds	1½ percent.
From funds invested in behalf of others	½ of 1 percent.
From any other source	1½ percent.
The minimum tax payable by a loan company is $100 when authorized capital is $100,000 or less, and and $175 when the capital is over $100,000.	

Any unincorporated company and any company not exclusively engaged in any one or more of the businesses in respect of which the above special taxes are imposed, or in farming, ranching, employment, telephone, or such other businesses as may from time to time be determined pays an annual fee which is prescribed by regulations of the lieutenant-governor in council.

3. Railway Tax [41]

There is levied on the gross earnings of railways a tax at the following rates:

On part of railways in operation for 7 years or more, 3 percent.
On part of railways in operation between 5 and 7 years, 1½ percent.

4. Other Taxes

Other taxes include a tax on timber, a gasoline tax of 6 cents per gallon, and a tax on motor vehicles.

2. INHERITANCE TAXES

Introduction

In Canada the imposition of the succession duty is purely a provincial matter. Canada has the authority to impose such a duty but has never exercised its authority in this regard. The British North American Act, 1867 (30 Vict., c. 3), provides that Canada may raise money by any mode or system of taxation, but no succession duty has been imposed.[42]

[41] R.S. of Saskatchewan, 1930, ch. 39.
[42] Inheritance tax service 1932-34, vol. III, p. 9503 (Commerce Clearing House Inc.)

Every one of the nine provinces taxes inheritance. Although differing in some particulars, the systems of taxation are fairly uniform. A summary of their principal provisions follows:

Property taxable.—In all the provinces all property situate within the province, of which the deceased is competent to dispose, is liable to tax. In some provinces the tax is levied on personal property situate outside the province, but it was held that "a provincial legislature, on the death of a person domiciled within the province, cannot validly impose taxation in respect of personal property locally situate outside the province, nor can the locus of such property be affected by the application of the maxim mobilia sequuntur personam so as to become property taxable 'within the province'." [43] A clause in all the statutes provides that property transferred in contemplation of death is subject to tax, and in all the provinces (except Ontario and Saskatchewan) voluntary dispositions made within periods ranging from 1 to 5 years prior to death are presumed to have been made in contemplation of death. In Ontario all voluntary dispositions made since July 1892, and in Saskatchewan such dispositions made since November 21, 1903, are taxable. Property passing under settlement, if any interest is reserved to the settlor, is specifically taxed in all the provinces except Quebec. Annuities are likewise specifically taxed in all the provinces (except British Columbia and Quebec) to the extent of their beneficial interests. Every province taxes the proceeds of life-insurance policies, exemption from tax being granted in specified instances. Estates in dower are specifically taxable in Manitoba, while in New Brunswick, Nova Scotia, and Ontario the tax is specifically levied upon both estates in dower and by courtesy.

Valuation of property.—Fair market value at the time of the death of the deceased is the measure of valuation of property generally taken for purposes of taxation.

Rates.—Bases for determining applicable rates of tax differ in the several provinces. In all provinces individual shares are taxed at a flat rate, the common basis of which is the value of the decedent's whole estate and the relationship existing between the decedent and the beneficiary. In most provinces, an additional tax is levied on each beneficiary's share in excess of a stated minimum. To the sum of these two taxes, there is added in several provinces a surtax at a flat percentage rate of such sum.

Exemptions.—Every province exempts certain classes of property and beneficiaries from inheritance tax. In most provinces a minimum value is exempted from tax.

Detailed provisions relative to inheritance tax are set forth in the following pages.

ALBERTA

(Succession Duties Act, 1934 [44])

PROPERTY TAXABLE

(*a*) All property to which a person becomes entitled by a "succession", all property situate within the Province, and in case of an owner domiciled in the Province, all personal property situate outside the Province and passing in death.

(*b*) Property voluntarily transferred in contemplation of death.

(*c*) Voluntary dispositions made within 3 years before death.

(*d*) Property transferred by owner to himself and other person or persons jointly.

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[43] *Kerr* v. *Provincial Treasurer of Alberta*, [1933] 4 D.L.R. 81.

[44] This act, which repeals the Succession Duty Act, 1932, applies with retroactive effect to persons who have died since July 1, 1905, as well as to persons who die after its commencement.

(*e*) Property passing under settlement or trust whereby an interest is reserved to the settlor or whereby the settlor has reserved right to resettle or reclaim same or any part thereof.

(*f*) Any annuity to extent of beneficial interest accruing or arising on death of deceased.

(*g*) Property of which a person was at time of death competent to dispose exclusive of any power exercisable in a fiduciary capacity under a disposition not made by himself or as a mortgagee.

(*h*) Proceeds of life-insurance policies wholly or in part kept up by the deceased for the benefit of an existing or future donee.

(*i*) Property in which the deceased or any other person had an interest ceasing on the death of the deceased to the extent to which a benefit accrues or arises by the cesser of that interest, exclusive of property the interest in which was settled by the husband or wife of the deceased.

(*j*) Any estate or interest in property of the deceased to which the wife or husband becomes entitled under the provisions of any statute on the death of the deceased.

(*k*) Property, including money in banks or other institutions, held in the joint names of the deceased and one or more persons, except the part contributed by some person other than the deceased.

VALUATION OF PROPERTY

(*a*) Deceased's property: Aggregate value (i.e., fair market value) at date of death, allowance being made for reasonable funeral expenses and for debts and incumbrances.

(*b*) Annuities, term of years, life estate, income or other estate, and every future or contingent interest liable to succession duty: valuation to be determined by such rule, standard and table of mortality and of value as the lieutenant governor in council may prescribe, and at a rate of interest of 5 percent per annum.

(*c*) Interest ceasing on death: (*a*) If interest extended to whole income of property, the principal value of that property; (*b*) if interest extended to less than whole income of property, the principal value of an addition to the property equal to income to which interest extended.

RATES OF TAX

The total succession duty is the sum of two taxes calculated on different bases.

The principal tax, which is applied to the share of each beneficiary, is determined by the net value of all the property of the deceased and the relationship of the deceased to the beneficiary.

The additional tax, which applies also to the share of each beneficiary, is determined by the size of the beneficiary's share and the relationship of the deceased to the beneficiary.

A. *Principal tax*

Net value of decedent's whole property	Rate applicable to beneficiary's share			
	Class A [1]	Class B [2]	Class C [3]	Class D [4]
	Percent	*Percent*	*Percent*	*Percent*
Up to $1,000				
$1,000-$5,000			1-4	2-8
$5,000-$10,000		0.5	5	10
$10,000-$15,000		1	5.5	11
$15,000-$25,000	1 - 2	1.5- 3	6 - 8	12 -14
$25,000-$50,000	2 - 3	3 - 4	8 - 9	14 -15
$50,000-$75,000	3 - 4	4 - 5	9 -10	15 -16
$75,000-$100,000	4 - 5	5 - 6	10 -11	16 -17
$100,000-$150,000	5 - 6	6 - 7	11 -12	17 -19
$150,000-$200,000	6 - 7	7 - 8	12 -13	19 -21
$200,000-$300,000	7 - 8	8 - 9	13 -14	21 -23
$300,000-$400,000	8 - 8.5	9 - 9.5	14 -14.5	23 -24
$400,000-$500,000	8.5- 9	9.5-10	14.5-15	24 -25
$500,000-$600,000	9 - 9.4	10 -10.4	15 -15.4	25 -25.8
$600,000-$700,000	9.4- 9.8	10.4-10.8	15.4-15.8	25.8-26.6
$700,000-$800,000	9.8-10.2	10.8-11.2	15.8-16.2	26.6-27.6
$800,000-$900,000	10.2-10.6	11.2-11.6	16.2-16.6	27.6-28.8
$900,000-$1,000,000	10.6-11	11.6-12	16.6-17	28.8-30
$1,000,000-$1,500,000	11 -12	12 -13	17 -18	30 -33
$1,500,000-$2,000,000	12 -13	13 -14	18 -19	33 -36
Over $2,000,000	13	14	19	36

[1] Class A: Grandfather, grandmother, father, mother, husband, wife, child, son-in-law, or daughter-in-law of the deceased being a resident or residents of the Province.
[2] Class B: Any person or persons mentioned in column A not being a resident or residents of the Province.
[3] Class C: Any other lineal ancestor of the deceased, a brother or sister of the deceased or any lineal descendant of such brother or sister, or a brother or sister of the father or mother of the deceased or any lineal descendant of such last-mentioned brother or sister.
[4] Class D: Any other person or beneficiary.

B. *Additional tax*

Value of beneficiary's share	Rate applicable to beneficiary's share			
	Class A [1]	Class B [2]	Class C [3]	Class D [4]
	Percent	*Percent*	*Percent*	*Percent*
Up to $25,000				Nil.
$25,000-$50,000			1	Nil.
$50,000-$75,000	1	1	1.5	Nil.
$75,000-$100,000	1.5	1.5	2	Nil.
$100,000-$150,000	2	2	2.5	Nil.
$150,000-$200,000	2.5	2.5	3	Nil.
$200,000-$300,000	3	3	3.5	Nil.
$300,000-$400,000	3.5	3.5	4	Nil.
$400,000-$500,000	4	4	4.5	Nil.
$500,000-$600,000	4.5	4.5	5	Nil.
$600,000-$700,000	5	5	5.5	Nil.
$700,000-$800,000	5-5.5	5-5.5	5.5-6	Nil.
$800,000-$900,000	5.5	5.5	6	Nil.
$900,000-$1,000,000	5.5	5.5	6	Nil.
Over $1,000,000	6	6	6.5	Nil.

[1] Class A: Grandfather, grandmother, father, mother, husband, wife, child, son-in-law, or daughter-in-law of the deceased being a resident or residents of the Province.
[2] Class B: Any person or persons mentioned in column A not being a resident or residents of the Province.
[3] Class C: Any other lineal ancestor of the deceased, a brother or sister of the deceased or any lineal descendant of such brother or sister, or a brother or sister of the father or mother of the deceased or any lineal descendant of such last-mentioned brother or sister.
[4] Class D: Any other person or beneficiary.

EXEMPTIONS

(*a*) Property the net value of which does not exceed $1,000.

(*b*) Property left for religious, charitable, or educational purposes in the Province and not exceeding $2,000 for any one purpose.

(*c*) Proceeds of life insurance policies made payable for the purpose of paying the succession duty except as to any excess over and above the amount of duty required.

(*d*) Beneficiaries in class A residing in the Province are granted exemption if estate does not exceed $15,000.

(*e*) Property left to the University of Alberta for educational purposes.

BRITISH COLUMBIA

(R.S. 1924, ch. 244, as amended to 1934)

PROPERTY TAXABLE

(*a*) All property situate within the Province whether deceased died in Province or not. Includes all policies of insurance except those payable to a designated preferred beneficiary as defined by the insurance act.

(*b*) Property voluntarily transferred in contemplation of death.

(*c*) Voluntary dispositions made 2 years before death.

(*d*) Property transferred by owner to himself and other person or persons jointly.

(*e*) Property brought into Province by his executors to be administered or distributed.

(*f*) Property passing under settlement whereby an interest is reserved to the settlor or whereby the settlor has reserved right to resettle or reclaim same or any part thereof.

(*g*) Property of which a person was at time of his death competent to dispose, exclusive of any power exercisable in a fiduciary capacity under a disposition not made by himself or as a mortgagee.

VALUATION OF PROPERTY

(*a*) Net value (i.e., all property of deceased whether within Province or not, minus the debts, encumbrances, and allowances authorized by law) of property or of a beneficial interest: Fair market value as at date of death of deceased.

(*b*) Future and contingent estates: Value of estate as at death of deceased.

RATES OF TAX

The total succession duty payable is the sum of several taxes calculated on the same bases.

The principal tax, applicable to the share of each beneficiary, is determined by the net value of the property of the deceased and the relationship of the deceased to the beneficiary.

An additional tax, calculated on the same basis as the principal tax, is imposed when the share received by a beneficiary in class A exceeds $50,000, or by a beneficiary in classes B or C exceeds $25,000.

To the sum of these two taxes, there is added a surtax of 25 percent thereof.

Net value of property of deceased	Rate applicable to beneficiary's share					
	Class A [1]		Class B [2]		Class C [3]	
	Principal tax	Additional tax	Principal tax	Additional tax	Principal tax	Additional tax
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
Up to $1,000	----------	----------	----------	----------	----------	----------
$1,000-$5,000	----------	----------	0.5 – 3	----------	1 – 6	----------
$5,000-$10,000	----------	----------	4	----------	8	----------
$10,000-$20,000	----------	----------	5	----------	10	----------
$20,000-$25,000	1 – 1.25	----------	5	----------	10	----------
$25,000-$50,000	1.25– 1.5	----------	5 – 6	0.5	10 –11	0.5
$50,000-$75,000	1.5 – 1.75	1	6 – 7	1	11 –12	1
$75,000-$100,000	1.75– 2	1	7 – 8	1.5	12 –13	1.5
$100,000-$150,000	2 – 3	1.5	8 – 8.5	2	13 –13.5	2
$150,000-$200,000	3 – 4	1.5	8.5 – 9	3	13.5 –14	3
$200,000-$300,000	4 – 5	2	9 –10	4	14 –15	4
$300,000-$400,000	5 – 6	2	10 –11	4	15 –16	4
$400,000-$500,000	6 – 7	3	11 –12	5	16 –17	5
$500,000-$600,000	7 – 8	3	12 –13	5	17 –18	5
$600,000-$700,000	8 – 9	3	13 –14	5	18 –19	5
$700,000-$800,000	9 –10	4	14 –14.33	6	19 –19.33	6
$800,000-$900,000	10 –11	4	14.33–14.67	6	19.33–19.67	6
$900,000-$1,000,000	11 –12	4	14.67–15	6	19.67–20	6
Over $1,000,000	12	5	15	7	20	7

[1] ClassA: Father, mother, husband, wife, child, grandchild, son-in-law, or daughter-in-law.
[2] Class B: Grandfather, grandmother, uncle, aunt, cousin, brother, or sister or any descendent of brother or sister.
[3] Class C: Any other person.

NOTE.—The above rates are subject to a surtax of 25 percent thereof.

EXEMPTIONS

(*a*) Property to any amount left for religious, charitable, or educational purposes in the Province.

(*b*) $20,000 exemption to preferred beneficiaries in class A.

(*c*) All life insurance (all other insurance taxable) not exceeding $25,000 to beneficiaries in class A.

(*d*) Exemption from double duty in respect of other provinces reciprocating within the Dominion.

MANITOBA

(Acts, 1930, ch. 38, as amended to 1934)

PROPERTY TAXABLE

(*a*) All property situate within the Province and income therefrom.

(*b*) All personal property in Manitoba or elsewhere of a person domiciled in Manitoba.

(*c*) Property voluntarily transferred in contemplation of death.

(*d*) Voluntary dispositions made within 5 years before death.

(*e*) Property vested jointly with interest to survivor.

(*f*) Property passing under settlement if any interest is reserved to the settlor.

(*g*) Annuities to extent of any beneficial interest after death of deceased.

(*h*) Any property of which the deceased was entitled to dispose.

(*i*) Proceeds of life-insurance policies, whether made payable to preferred beneficiaries or not, effected by any person on his life.

(*j*) Dower.

VALUATION OF PROPERTY

(*a*) Aggregate value of property: Fair market value as at date of death.

(*b*) Dutiable value, i.e., fair market value after deducting debts, exemptions, etc., of property and value of a beneficial interest in property: Fair market value as at date of death of deceased, allowing for funeral expenses (maximum, $400), debts and encumbrances and surrogate court fees (but not solicitor's charges), and any debts, etc., which by law may be deducted from property.

RATES OF TAX

Succession duty is applied to the share of each beneficiary as determined by the net value of the decedent's aggregate estate and the relationship of the decedent to the beneficiary.

Net value of decedent's whole estate	Rate applicable to beneficiary's share		
	Class A [1]	Class B [2]	Class C [3]
	Percent	*Percent*	*Percent*
Up to $1,500			
$1,500–$5,000		2.5	7 – 9
$5,000–$10,000	0.3– 0.6	4.5 – 5	10.5
$10,000–$25,000	0.6– 1.5	5 – 6.5	10.5–12
$25,000–$50,000	1.5– 3	6.5 – 8.5	12 –13
$50,000–$75,000	3 – 3.5	8.5 –10.25	13 –13.5
$75,000–$100,000	3.5– 4	10.25–12	13.5–14
$100,000–$150,000	4 – 5	12 –12.25	14 –15
$150,000–$200,000	5 – 6	12.25–12.5	15 –16
$200,000–$300,000	6 – 8	12.5 –13	16 –18
$300,000–$400,000	8 –10	13 –13.5	18 –20
$400,000–$500,000	10 –12	13.5 –14	20 –22
$500,000–$600,000	12 –12.5	14 –14.5	22 –22.5
$600,000–$700,000	12.5–13	14.5 –15	22.5–23
$700,000–$800,000	13 –13.5	15 –15.5	23 –23.5
$800,000–$900,000	13.5–14	15.5 –16	23.5–24
$900,000–$1,000,000	14 –15	16 –17	24 –25
Over $1,000,000	15	17	25

[1] Class A: Father, mother, husband, wife, child.
[2] Class B: Grandfather, grandmother, grandchild, son-in-law, daughter-in-law, brother or sister of the deceased, or any child of such brother or sister.
[3] Class C: Any other person or beneficiary.

EXEMPTIONS

(*a*) Proceeds of life-insurance policies made payable for the purpose of paying the duty imposed, except as to any excess over and above amount of duty required.

(*b*) Property passing to persons in class A if residents of Province, when dutiable value of property so passing, including property not situate in Province, does not exceed $25,000 and if deceased was domiciled in Province at time of his death.

(*c*) Proceeds of life insurance payable to widow or widow and children being domiciled in Manitoba, to extent of $5,000 where widow survives, but $10,000 where widow survives and more than one child under 18 years.

(*d*) Any property bequeathed to or for charitable or educational purposes to be carried out in Manitoba, including property bequeathed to any hospital in Province of Manitoba and receiving under the Hospital Aid Act or legislation or municipal grant, and the amount of unpaid subscriptions for like purpose.

(*e*) Any estate the aggregate value of which does not exceed $1,500.

(*f*) Property passing to any one person not exceeding $300.

(*g*) Property given by donor in his lifetime not exceeding $300 to any one donee.

NEW BRUNSWICK

(Succession Duty Act, 1934)

PROPERTY TAXABLE

(*a*) All property situate within Province, which shall include all property situate outside Province belonging to a deceased person domiciled therein, and all property situate outside Province belonging to a person not domiciled therein to extent that such property shall pass to a person domiciled in Province.

(*b*) Property voluntarily transferred in contemplation of death.

(*c*) Voluntary dispositions made within 5 years of date of death.

(*d*) Property transferred by owner to himself and other person or persons jointly.

(*e*) Property passing under settlement whereby an interest is reserved to the settlor or whereby the settlor has reserved right to resettle or reclaim same or any part thereof.

(*f*) Any annuity to extent of beneficial interest at time of death.

(*g*) Proceeds of life-insurance policies made payable to the deceased or any other person.

(*h*) Property of which a person was, at time of death, competent to dispose, exclusive of any power exercisable in a fiduciary capacity under a disposition not made by himself or as a mortgagee.

(*i*) Any estate or interest in property of the deceased to which the wife or husband of deceased becomes entitled on the death of the deceased.

(*j*) Property, including money in banks or other institutions, held in joint names of deceased and one or more persons, except the part contributed by some person other than deceased.

VALUATION OF PROPERTY

Dutiable value of property or value of a beneficial interest in property: Fair market value as at date of death. ("Dutiable value" means the value to which any rate is applied for the purpose of computation; "beneficial interest" means the fair market value of the property after the debts, encumbrances, and other allowances and exemptions authorized by law are deducted therefrom.)

RATES OF TAX

The total succession duty payable is the sum of several taxes calculated on different bases.

The principal tax, which is applied to the share of each beneficiary, is determined by the size of the decedent's net estate and the relationship of the decedent to the beneficiary.

An additional tax, which is also applied to the share of each beneficiary, is determined by the size of the beneficiary's share and the relationship of the decedent to the beneficiary.

To the sum of these two taxes, there is added a surtax of 10 percent.

The rates of the succession duty are doubled in the case of nonresident beneficiaries.

A. *Principal tax*

Net value of decedent's whole estate	Rate applicable to beneficiary's share		
	Class A [1]	Class B [2]	Class C [3]
	Percent	*Percent*	*Percent*
Up to $5,000			
$5,000–$10,000			10
$10,000–$25,000		5	10
$25,000–$50,000	1.25	5	10
$50,000–$75,000	2.5	10	15
$75,000–$100,000	2.5	10	15
$100,000–$150,000	4	12.5	15
$150,000–$200,000	5	12.5	15
$200,000–$300,000	5	12.5	15
$300,000–$400,000	6	12.5	15
$400,000–$500,000	6	12.5	15
$500,000–$600,000	7	12.5	17.5
$600,000–$700,000	7	12.5	17.5
$700,000–$800,000	7–8.5	12.5	17.5
$800,000–$900,000	8.5	12.5	17.5
$900,000–$1,000,000	8.5	12.5	17.5
Over $1,000,000	10	12.5	20

[1] Class A: Father, mother, husband, wife, child, daughter-in-law or son-in-law.

[2] Class B: Any other lineal ancestor or descendant, or brother or sister, child or grandchild of brother or sister, or brother or sister of father or mother, or any child or grandchild of such last mentioned brother or sister.

[3] Class C: Any other blood relation or stranger in blood.

B. *Additional tax*

Value of beneficiary's share	Rate applicable to beneficiary's share		
	Class A [1]	Class A [2]	Class C [3]
	Percent	*Percent*	*Percent*
Up to $5,000			
$5,000-$10,000			
$10,000-$25,000		0.5	
$25,000-$50,000	0.5	.5	
$50,000-$75,000	.5	1	
$75,000-$100,000	.5	1	
$100,000-$150,000	1	1.5	
$150,000-$200,000	1	2	
$200,000-$300,000	1.5	2.5-3	Nil.
$300,000-$400,000	1.5	3.5-4	
$400,000-$500,000	2	4.5-5	
$500,000-$600,000	2	5	
$600,000-$700,000	2.5	5	
$700,000-$800,000	2.5	5	
$800,000-$900,000	3	5	
$900,000-$1,000,000	3	5	
$1,000,000-$1,200,000	4	5	
Over $1,200,000	5	5	

[1] Class A: Grandfather, grandmother, father, mother, husband, wife, child, grandchild, daughter-in-law, or son-in-law.
[2] Class B: Any other lineal ancestor or descendant; or brother, sister, or any child or grandchild of brother or sister; uncle or aunt or any child or grandchild of uncle or aunt.
[3] Class C: Any other person.

C. *Surtax*

10 percent, added to the sum total of the two above taxes.

EXEMPTIONS

(*a*) Property to any amount left for religious, charitable, or educational purposes in Province, or any unpaid subscriptions for like purpose.
(*b*) Any estate of which the aggregate value does not exceed $5,000.
(*c*) Any property passing by will to father, mother, wife, son, husband, daughter, daughter-in-law, or son-in-law where aggregate value of property does not exceed $25,000.

NOVA SCOTIA

(R.S. 1923, ch. 18; Statutes, 1932, ch. 21)

PROPERTY TAXABLE

(*a*) All property wherever situate of which deceased was at time of death competent to dispose.
(*b*) Property in which deceased or other person had an interest, ceasing on death of deceased, to the extent to which benefit accrues by the cesser of such interest.
(*c*) Property voluntarily transferred in contemplation of death, and property transfer whenever made, the enjoyment of which is not assumed immediately by the grantee to the entire exclusion of the grantor.
(*d*) Voluntary disposition made within 3 years before death.
(*e*) Property transferred by owner to himself and other person or persons jointly.
(*f*) Property passing under settlement whereby an interest is reserved to the settlor or whereby the settlor has reserved right to resettle or reclaim same or any part thereof.
(*g*) Any annuity to extent of beneficial interest at time of death.
(*h*) Proceeds of life-insurance policies made payable to deceased or to any other person.
(*i*) Any estate in dower or by the courtesy in any land of deceased of which the wife or husband of deceased becomes entitled on death of deceased.

VALUATION OF PROPERTY

(*a*) In determining the aggregate value (which means the value of all property passing on the death of deceased, including property situate out of Nova Scotia) of property, the fair market value is taken as at date of death, minus the deductions and allowances in respect of dutiable value.

(*b*) In determining the dutiable value (which means the value of property subject to duty), the fair market value is taken as at date of death, and deduction or allowance is made for reasonable funeral expenses, debts, and encumbrances and for probate court fees (but not solicitor's charge or probate death inheritance or succession duty or tax).

RATES OF TAX

Succession duty is the sum total of two taxes calculated on different bases.

The principal tax, which applies to the share of each beneficiary, is determined by the aggregate value of the whole estate of the deceased and the latter's relationship to the beneficiary.

The other tax, which is added to the principal tax, applies also to the share of the beneficiary, and is determined by the value of the share accruing to the beneficiary and the deceased's relationship to the beneficiary.

A. *Principal tax*

Aggregate value of decedent's whole estate	Rate applicable to beneficiary's share		
	Class A [1]	Class B [2]	Class C [3]
	Percent	*Percent*	*Percent*
Up to $5,000			
$5,000–$10,000		5	10
$10,000–$25,000		5	12.5
$25,000–$50,000	2.5	7	12.5
$50,000–$75,000	3.5	10	15
$75,000–$100,000	4	10	15
$100,000–$150,000	5	12.5	16
$150,000–$200,000	5.5	12.5	17
$200,000–$300,000	6	13	18–19
$300,000–$400,000	6.5	13	20–21
$400,000–$500,000	7	13.5	22–23
$500,000–$600,000	7.5	13.5	25
$600,000–$700,000	8	14	27
$700,000–$800,000	8.5	14	28
$800,000–$900,000	9	14.5	30
$900,000–$1,000,000	9.5	14.5	30
Over $1,000,000	10	15	30

[1] Class A: Grandfather, grandmother, father, mother, husband, wife, child, grandchild, daughter-in-law, or son-in-law.

[2] Class B: Any other lineal ancestor or descendant; or brother, sister, or any child or grandchild of brother or sister, uncle or aunt or any child or grandchild of uncle or aunt.

[3] Class C: Any other person.

B. *Additional tax*

Value of beneficiary's share	Rate applicable to beneficiary's share		
	Class A[1]	Class B[2]	Class C[3]
	Percent	*Percent*	*Percent*
$5,000-$10,000		1	Nil.
$10,000-$25,000		1	Nil.
$25,000-$50,000	0.5	1.5	Nil.
$50,000-$75,000	.5	1.5	Nil.
$75,000-$100,000	1	2	Nil.
$100,000-$150,000	1.5	2.5	Nil.
$150,000-$200,000	2	3	Nil.
$200,000-$300,000	2.5	3-3.5	Nil.
$300,000-$400,000	3	4-4.5	Nil.
$400,000-$500,000	3.5	5-5.5	Nil.
$500,000-$600,000	4	6	Nil.
$600,000-$700,000	4.5	6.5	Nil.
$700,000-$800,000	5	7	Nil.
$800,000-$900,000	5.5	7.5	Nil.
$900,000-$1,000,000	6	8	Nil.
$1,000,000-$1,500,000	6.5-7.5	8.5	Nil.
$1,500,000-$2,000,000	7.5-8.5	8.5	Nil.
$2,000,000-$2,500,000	9-10	9	Nil.
$2,500,000-$3,000,000	10-11	9	Nil.
Over $3,000,000	12	10	Nil.

[1] Class A: Grandfather, grandmother, father, mother, husband, wife, child, grandchild, daughter-in-law, r son-in-law.
[2] Class B: Any other lineal ancestor or descendant; or brother, sister, or any child or grandchild of brother or sister, uncle or aunt or any child or grandchild of uncle or aunt.
[3] Class C: Any other person.

EXEMPTIONS

(*a*) Property to any amount left for religious, charitable, or educational purposes in the province or any unpaid subscriptions for like purpose.
(*b*) Proceeds of life-insurance policies not exceeding $5,000 made payable to persons in class A.
(*c*) Property situate in Great Britain and Ireland and subject to estate duty there.
(*d*) Property passing on death by reason of a bona fide purchase from person to whom property passes and to extent to which purchase was made for consideration in money or value.
(*e*) Property brought in the province for distribution to the extent to which tax or duty has been paid elsewhere.
(*f*) Certain provincial securities issued as exempt.
(*g*) Property passing on death if aggregate value does not exceed $5,000.
(*h*) Individual bequest not exceeding $300.

ONTARIO

(Succession Duty Act, 1934)

PROPERTY TAXABLE

(*a*) All property situate within province.
(*b*) Property voluntarily transferred in contemplation of death.
(*c*) Property taken as donatio mortis causa.
(*d*) Voluntary dispositions made since July 1892.
(*e*) Property transferred where bona fide possession and enjoyment have not been immediately assumed by the donee.
(*f*) Property transferred by owner to himself and other person or persons jointly.
(*g*) Property passing under settlement whereby an interest is reserved to the settlor or whereby the settlor has reserved right to resettle or reclaim same or any part thereof.
(*h*) Any annuity to the extent of the beneficial interest at time of death.
(*i*) Proceeds of life-insurance policies made payable to deceased or any other person.

(*j*) Property of which a person was at time of death competent to dispose exclusive of any power exercisable in a fiduciary capacity under a disposition not made by himself or as a mortgagee.

(*k*) Any estate in dower or by courtesy in any land of a person so dying of which the wife or husband of the deceased becomes entitled by the decease of such person.

(*l*) Property transferred since July 1892 for partial consideration in money or value to extent to which value of property transferred exceeds value of consideration paid.

(*m*) Personal property of deceased situate outside the province at time of death which passes to a person or persons domiciled within Ontario at the time of death.

VALUATION OF PROPERTY

(*a*) In determining the dutiable value of property or the value of a beneficial interest in property, the fair market value is taken as at date of death of deceased, and allowance is made for reasonable funeral expenses, debts, and encumbrances and surrogate court fees (but not solicitor's charges). "Beneficial interest" and "dutiable value" mean the fair market value of the property after the debts, encumbrances, and other allowances and exemptions authorized by law have been deducted therefrom.

(*b*) The value of any annuity, term of years, life estate, income, or other estate, and every interest in expectancy, in respect of which duty is payable, is determined by such rate, method, and standards of mortality and of value and at such rate of interest as the lieutenant-governor deems fit.

RATES OF TAX

The total succession duty payable is the sum of several taxes calculated on different bases.

The principal tax rate, which is applied to the share of each beneficiary, is determined by the size of the decedent's aggregate estate and the relationship of the decedent to the beneficiary.

An additional tax, which is also applied to the share of each beneficiary, is determined by the size of the beneficiary's share and the relationship of the decedent to the beneficiary.

To the sum of these two taxes, there is added a surtax of 10 percent thereof.

The rates of the tax herewith follow:

A. *Principal tax*

Aggregate value of decedent's whole estate	Rate applicable to beneficiary's share		
	Class A [1]	Class B [2]	Class C [3]
	Percent	*Percent*	*Percent*
Up to $5,000			
$5,000–$10,000			7.5 –12.5
$10,000–$25,000		5 – 6.5	12.5 –13.4
$25,000–$50,000	1 – 2.5	6.5 – 9	13.4 –15
$50,000–$75,000	2.5– 3.5	9 –10.75	15 –16.25
$75,000–$100,000	3.5– 5	10.75–12	16.25–17.5
$100,000–$150,000	5 – 5.5	12 –12.5	17.5 –18.75
$150,000–$200,000	5.5– 6	12.5 –13	18.75–20
$200,000–$300,000	6 – 6.5	13 –13.5	20 –22.5
$300,000–$400,000	6.5– 7	13.5 –14	22.5 –25
$400,000–$500,000	7 – 7.5	14 –14.5	25 –27.5
$500,000–$600,000	7.5– 8	14.5 –15	27.5 –30
$600,000–$700,000	8 – 8.5	15 –15.5	30 –32.5
$700,000–$800,000	8.5– 9	15.5 –16	32.5 –35
$800,000–$900,000	9 – 9.5	16 –16.5	35
$900,000–$1,000,000	9.5–10	16.5 –17	35
Over $1,000,000	10	17	35

[1] Class A: Grandmother, grandfather, husband, wife, father, mother, child, son-in-law, or daughter-in-law.

[2] Class B: Any other lineal ancestor of the deceased, brother, sister, or descendant of brother or sister of the father or mother of the deceased, or of any of their descendants.

[3] Class C: Any other person or beneficiary.

B. *Additional tax*

Value of beneficiary's share	Rate applicable to beneficiary's share		
	Class A [1]	Class B [2]	Class C [3]
	Percent	*Percent*	
$10,000–$50,000	----------	2.5 – 2.9	Nil.
$50,000–$75,000	1.5 – 2	2.9 – 3.07	Nil.
$75,000–$100,000	2 – 2.5	3.07– 3.2	Nil.
$100,000–$150,000	2.5 – 3	3.2 – 3.45	Nil.
$150,000–$200,000	3 – 3.16	3.45– 4	Nil.
$200,000–$300,000	3.16– 3.5	4 – 4.5	Nil.
$300,000–$400,000	3.5 – 4.5	4.5 – 5.25	Nil.
$400,000–$500,000	4.5 – 5	5.25– 6	Nil.
$500,000–$600,000	5 – 5.5	6 – 6.5	Nil.
$600,000–$700,000	5.5 – 6	6.5 – 7	Nil.
$700,000–$800,000	6 – 7	7 – 7.5	Nil.
$800,000–$900,000	7 – 7.5	7.5 – 8	Nil.
$900,000–$1,000,000	7.5 – 8	8 – 9	Nil.
$1,000,000–$1,500,000	8 – 9.25	9 –10	Nil.
$1,500,000–$2,000,000	9.25–10.5	10 –11	Nil.
$2,000,000–$2,500,000	10.5 –11.5	11 –12	Nil.
$2,500,000–$3,000,000	11.5 –15	12 –13	Nil.
Over $3,000,000	15	13	Nil.

[1] Class A: Grandmother, grandfather, husband, wife, father, mother, child, son-in-law, or daughter-in-law.
[2] Class B: Any other lineal ancestor of the deceased, brother, sister, or descendant of brother or sister of the father or mother of the deceased, or of any of their descendants.
[3] Class C: Any other person or beneficiary.

C. *Surtax*

10 percent, added to the sum total of the above two taxes.

EXEMPTIONS

(*a*) Voluntary transmissions not exceeding $20,000 in the aggregate to father, mother, child, son-in-law, or daughter-in-law made more than 3 years before death.
(*b*) Gifts made inter vivos not exceeding $500 to any one donee.
(*c*) Property bona fide transferred for full consideration in money or money's worth.
(*d*) Property in any amount left for religious, charitable, or educational purposes in the Province.
(*e*) Bonds, debentures, or debenture stock issued by a corporation having its head office in the Province, transferable on a register at any place out of the Province, owned by a person not domiciled in the Province at the time of death.
(*f*) Property passing to any one person not exceeding $500.
(*g*) Annuities, estates, or interest for life or for a term of years, passing to any one person the income from which does not exceed $100 per year.

PRINCE EDWARD ISLAND

(Acts, 1925, ch. 5, as amended to 1934)

PROPERTY TAXABLE

(*a*) All property situate within the Province.
(*b*) Property situate outside the Province but which is brought into the Province to be administered or distributed.
(*c*) Property of which deceased was at time of death competent to dispose.
(*d*) Property in which deceased had an interest ceasing on his death to the extent to which a benefit accrues by the cesser of such interest.
(*e*) Property voluntarily transferred in general contemplation of death.
(*f*) Voluntary dispositions made within 3 years before death.
(*g*) Property transferred by owner to himself and other person or persons jointly.
(*h*) Property passing under settlement whereby an interest is reserved to the settlor or whereby the settlor has reserved right to resettle or reclaim same or any part thereof.

(*i*) Any annuity to the extent of the beneficial interest at time of death.

(*j*) Proceeds of life insurance policies made payable to deceased to which wife or husband of deceased becomes entitled on death of such person.

(*k*) All choses in action, all shares, stocks, bonds, debentures, and other securities for money belonging to the estate of any person dying in Prince Edward Island who was at the time of his death domiciled therein.

VALUATION OF PROPERTY

(*a*) In determining the aggregate value (which means the value of all the property passing on death of deceased) of property, the fair market value is taken as at date of death of deceased of all property passing on his death, and allowance is made of the deductions and allowances hereinafter mentioned in respect of dutiable value.

(*b*) In determining the dutiable value (which means the property subject to duty), the fair market value is taken as at date of death of deceased of property subject to duty, and a deduction or allowance is made for reasonable funeral expenses, debts and encumbrances, and for probate court fees (but not probate, death, estate, inheritance, or succession duty as tax or other like duty or tax).

RATES OF TAX

Succession duty consists of a single tax which applies to the share of each beneficiary. It is determined by the aggregate value of the whole estate of the deceased and the latter's relationship to the beneficiary.

Aggregate value of decedent's whole estate	Rate applicable to beneficiary's share		
	Class A [1]	Class B [2]	Class C [3]
	Percent	*Percent*	*Percent*
Up to $3,000	----------	----------	----------
$3,000–$5,000	----------	----------	10
$5,000–$10,000	----------	2.5	10
$10,000–$20,000	1.5	5	12
$20,000–$25,000	2.5	7.5	12
$25,000–$50,000	2.5	7.5	12
$50,000–$75,000	5	10	15
$75,000–$100,000	5	10	15
$100,000–$150,000	5	10	15
$150,000–$200,000	5	10	15
$200,000–$300,000	5	10	15
$300,000–$400,000	5	10	15
$400,000–$500,000	5	10	15
$500,000–$600,000	5	10	15
$600,000–$700,000	5	10	15
$700,000–$800,000	5	10	15
$800,000–$900,000	5	10	15
$900,000–$1,000,000	5	10	15
Over $1,000,000:			
First $1,000,000	5	10	15
On excess	5	2	3

[1] Class A: Child, or children; or wife and child, or wife and children.

[2] Class B: Father, mother, brother, sister, grandchild, nephew, niece, daughter-in-law, son-in-law, husband or wife of deceased without children by deceased living at time of death of deceased.

[3] Class C: Any other person.

EXEMPTIONS

(*a*) Property not exceeding $3,000 in value as total estate.

(*b*) Property to any amount left for religious, charitable, or educational purposes or by a person or by a corporation with head office in any of the Maritime Provinces, or any unpaid subscriptions for like purposes.

(*c*) Property not over $10,000 passing on death to the wife having children or having had children or to the child or children or to the wife and child or wife and children of the deceased.

(*d*) Property passing on death by reason of a bona fide purchase from persons to whom property passes and to extent to which purchase was made for consideration in money or value.

(*e*) Property which is brought into the Province after death, if succession duty has been paid elsewhere except to the extent of the difference in duty, if provincial duties are the greater.

(*f*) Personal property (except tangible personal property [45] in the Province) if the transferor at time of death was resident in a province, state, or country, in which such property, there situate, belonging to a resident of Prince Edward Island, is not taxed, or is exempt from transfer or death tax or succession duty.[46]

(*g*) Personal property (except tangible personal property) transferred to a nonresident of the Province, whose country reciprocally exempts residents of Prince Edward Island from sucession duty.

(*h*) Proceeds of life-insurance policies made payable to the provincial treasurer for the purpose of paying succession duty, except as to any excess over and above the duty itself.

QUEBEC

(R.S. 1925, ch. 29, as amended to 1934)

PROPERTY TAXABLE

(*a*) All property situate within the Province, and transmissions within the Province or movable property locally situate outside the Province passing on the death of a person domiciled therein.[47]

(*b*) Voluntary transmissions made within 5 years before death, except a donation inter vivos in a marriage contract and inter vivos to any one donee not exceeding $1,000.

(*c*) Voluntary transfers made more than 5 years before death where reservations are made owing to death, except a donation inter vivos in a marriage contract and inter vivos to any one donee not exceeding $1,000.

(*d*) Dispositions made in contemplation of death including a disposition of property held in joint ownership.

(*e*) All sums due by an insurer by reason of the death of the assured when they devolve by gratuitous title, and all life-insurance policies where contract was made in the Province, the proceeds are payable therein, and the insured was domiciled in the Province.

VALUATION OF PROPERTY

All property, whether movable or immovable situate within the Province: The aggregate value (which means the real value) of the property after deducting therefrom the debts and charges existing at time of death and allowed.

RATES OF TAX

The succession duty payable is the sum total of two taxes calculated on different bases.

The principal tax, which applies to the share of each beneficiary, is determined by the aggregate value of the decedent's whole estate and the relationship of the decedent to the beneficiary.

An additional tax, which applies like the principal tax to the share of each beneficiary, is based on the value of the beneficiary's share and the relationship existing between the decedent and the beneficiary.

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[45] "Intangible personal property" means incorporeal property including money, deposits in banks, mortgages, debts, receivables, shares of stocks, bonds, notes, credits, evidences of any interest in property and evidences of debt. All other personal property is considered as tangible property.

[46] Any tax imposed under the United States revenue act is not considered a transfer tax, death tax, or succession duty.

[47] The rate of duty payable by each beneficiary is governed by the total net value of the property dutiable whether the property be all situate within, or partly within and partly without, the Province. Property in the Province is dutiable under act R.S. of Quebec, 1925, ch. 29, pt. I, and the transmission of movable property outside the Province is dutiable under pt. II of the same act. The rates of duty are the same under each statute. Nevertheless, the rate of duty under each statute is determined by the net value of the entire estate within and without the Province.

A. *Principal tax*

Aggregate value of decedent's whole estate	Rate applicable to beneficiary's share			
	Class A [1]	Class B [2]	Class C [3]	Class D [4]
	Percent	*Percent*	*Percent*	*Percent*
Up to $1,000				
$1,000-$5,000				7.5
$5,000-$10,000			5	7.5
$10,000-$25,000		3	5	12
$25,000-$50,000	1	5.5	5.5	12
$50,000-$75,000	2	9	9	15
$75,000-$100,000	3	9	9	15
$100,000-$150,000	4	11	11	17
$150,000-$200,000	5	11	11	17
$200,000-$300,000	5.5	11.5	11.5	18
$300,000-$400,000	6	11.5	11.5	20
$400,000-$500,000	6	12	12	22
$500,000-$600,000	6.5	12	12	24
$600,000-$700,000	6.5	13	13	25
$700,000-$800,000	7	13	13	26
$800,000-$900,000	7	13.5	13.5	27
$900,000-$1,000,000	7.5	13.5	13.5	27
Over $1,000,000	7.5	14	14	27

[1] Class A: In the direct line, ascending or descending: Between consorts, between father or mother-in law and son or daughter-in-law.
[2] Class B: Brother or sister or descendent of brother or sister.
[3] Class C: Aunt or uncle or first cousins.
[4] Class D: Strangers and any other collaterals.

B. *Additional tax*

Value of beneficiary's share	Rate applicable to beneficiary's share			
	Class A [1]	Class B [2]	Class C [3]	Class D [4]
	Percent	*Percent*	*Percent*	*Percent*
Up to $10,000				Nil
$10,000-$50,000		0.5-2	0.5-2	
$50,000-$75,000	1	2	2	
$75,000-$100,000	1	2.5	2.5	
$100,000-$150,000	1.5	2.5	2.5	
$150,000-$200,000	2	3	3	
$200,000-$300,000	2	3 -3.5	3 -3.5	
$300,000-$400,000	2.5	4 -4.5	4 -4.5	
$400,000-$500,000	3	4.5-5	4.5-5	
$500,000-$600,000	3.5	5	5	
$600,000-$700,000	4	5.5	5.5	
$700,000-$800,000	4.5	6	6	
$800,000-$900,000	5	6.5	6.5	
$900,000-$1,000,000	5 -5.5	6.5	6.5	
$1,000,000-$1,500,000	5.5-6	7	7	
$1,500,000-$2,000,000	6 -6.5	7	7	
$2,000,000-$2,500,000	7 -7.5	7.5	7.5	
$2,500,000-$3,000,000	7.5-8.5	7.5	7.5	
Over $3,000,000	9	8	8	

[1] Class A: In the direct line, ascending or descending: Between consorts, between father or mother-in-law and son or daughter-in-law.
[2] Class B: Brother or sister or descendent of brother or sister.
[3] Class C: Aunt or uncle or first cousins.
[4] Class D: Strangers and any other collaterals.

EXEMPTIONS

(*a*) Legacies for religious, charitable, or educational purposes in the Province.
(*b*) Certain securities of the Province of Quebec.
(*c*) When the deceased leaves more than 3 children living under 25, the exemption to persons in class A is raised over $25,000 by $5,000 per child after the third child.

SASKATCHEWAN

(R.S. 1930, ch. 37, as amended to 1934)

PROPERTY TAXABLE

(*a*) All property situate within the Province, no matter where the deceased was domiciled, and when the deceased at time of death was domiciled in the Province, all movable or personal property locally situate outside the Province.

(*b*) Property voluntarily transferred in general contemplation of death.

(*c*) Voluntary dispositions made since November 21, 1903, and dispositions whenever made which have not been immediately assumed and retained by the donee.

(*d*) Property transferred by the owner to himself and to other person or persons jointly.

(*e*) Property passing under settlement whereby an interest is reserved to the settlor or whereby the settlor has reserved the right to resettle or reclaim the same or any part thereof.

(*f*) Any annuity to the extent of the beneficial interest at time of death.

(*g*) Proceeds of life-insurance policies made payable to the deceased or any other person.

(*h*) Property of which a person was at time of death competent to dispose exclusive of any power exercisable in a fiduciary capacity under a disposition not made by himself or as a mortgagee.

VALUATION OF PROPERTY

In determining the dutiable value (which means the aggregate value less exemptions) of property or the value of a beneficial interest in property, the fair actual value is taken as at date of death of deceased, allowance being made for reasonable funeral expenses, debts, and encumbrances and surrogate court fees (but not solicitor's charges).

When the aggregate value of the estate exceeds $20,000, an additional duty of 10 percent is levied.

If beneficiaries are not domiciled in the Province or if the deceased was not domiciled therein at time of death, additional taxes are imposed as follows:

Class A, on property over $5,000, 1 percent extra.
Class B, on property over $2,500, 1½ percent extra.
Class C, on property over $1,000, 2 percent extra.

RATES OF TAX

The total succession duty payable is the sum of several taxes calculated on different bases.

The principal tax which applies to the share of each beneficiary is determined by the aggregate value of the whole estate of the deceased and the latter's relationship to the beneficiary.

An additional tax, which applies likewise to the share of each beneficiary, is determined by the amount accruing to the beneficiary and the relationship of the deceased to such beneficiary.

To the sum of these two taxes, there is added on successions exceeding $20,000 a surtax of 10 percent of such sum.

A. *Principal tax*

Aggregate value of decedent's whole estate	Rate applicable to beneficiary's share		
	Class A[1]	Class B[2]	Class C[3]
	Percent	*Percent*	*Percent*
Up to $1,000			
$1,000-$2,500			2-4
$2,500-$5,000		3	4-8
$5,000-$10,000		5	10
$10,000-$15,000		5.5	12
$15,000-$25,000	1	6	12.5
$25,000-$50,000	2	7.5	13
$50,000-$75,000	2.5	10	14
$75,000-$100,000	3.5	11	14.5
$100,000-$150,000	5	12.5	15
$150,000-$200,000	5.5	13	17.5
$200,000-$300,000	6	13.5-14	20
$300,000-$400,000	7-8	14.5-15	22.5
$400,000-$500,000	10	15.5	22.5
$500,000-$600,000	11	16	25
$600,000-$700,000	12	16.5	25
$700,000-$800,000	13	17	25-27.5
$800,000-$900,000	14	17.5	27.5
$900,000-$1,000,000	15	18	27.5
$1,000,000-$1,500,000	16	18.5-19	30
$1,500,000-$2,000,000	16	19.5	32
$2,000,000-$2,500,000	16	20	34
$2,500,000-$3,000,000	16	20.5	36
Over $3,000,000	16	21	37

[1] Class A: Father, mother, husband, wife, child (includes a lawful child of the deceased, any person lawfully adopted by the deceased, while under the age of 12, as his child, an infant to whom the deceased for not less than 10 years stood in loco parentis, and any lineal descendant of such child, adopted child, or person born in lawful wedlock), son-in-law or daughter-in-law.
[2] Class B: Any other lineal ancestors, or brother or sister, or descendant of brother or sister, or aunt, uncle, or descendant of aunt or uncle.
[3] Class C: Any other blood relation or stranger in blood.

B. *Additional tax*

Value of beneficiary's share	Rate applicable to beneficiary's share		
	Class A[1]	Class B[2]	Class C[3]
	Percent	*Percent*	*Percent*
Up to $5,000			Nil
$5,000-$25,000		0.5	
$25,000-$50,000	0.5	1	
$50,000-$75,000	1	1.5	
$75,000-$100,000	1.5	2	
$100,000-$150,000	2	2.5	
$150,000-$200,000	2	3	
$200,000-$300,000	2.5	4	
$300,000-$400,000	2.5	5	
$400,000-$500,000	3	6-7	
$500,000-$600,000	4	7	
$600,000-$700,000	5	7	
$700,000-$800,000	5.5	7-8	
$800,000-$900,000	6	8	
$900,000-$1,000,000	6.5	8	
$1,000,000-$1,500,000	7-7.5	9	
$1,500,000-$2,000,000	7.5-8	9	
$2,000,000-$2,500,000	8.5-9	9	
$2,500,000-$3,000,000	9-9.5	9	
Over $3,000,000	10	9	

[1] Class A: Father, mother, husband, wife, child (includes a lawful child of the deceased, any person lawfully adopted by the deceased, while under the age of 12, as his child, an infant to whom the deceased for not less than 10 years stood in loco parentis, and any lineal descendant of such child, adopted child, or person born in lawful wedlock), son-in-law or daughter-in-law.
[2] Class B: Any other lineal ancestors, or brother or sister, or descendant of brother or sister, or aunt, uncle, or descendant of aunt or uncle.
[3] Class C: Any other blood relation or stranger in blood.

C. *Surtax*

On successions of over $20,000, 10 percent of the sum of the two above taxes.

EXEMPTIONS

(*a*) Proceeds of life-insurance policies not exceeding $5,000 made payable to persons in class A except such as are payable to the father of the deceased and to son-in-law and daughter-in-law.

(*b*) Property not exceeding $15,000 to a child (includes a lawful child of the deceased, any person lawfully adopted by the deceased, while under the age of 12 years as his child, an infant to whom the deceased for not less than 10 years stood in loco parentis and any lineal descendant of such child, adopted child, or person born in lawful wedlock), son-in-law, daughter-in-law, father, or mother.

(*c*) Property given absolutely during lifetime proved to have been a reasonable gift having regard to the circumstances under which gift was made and to the amount of his income.

(*d*) Any gift during a lifetime not exceeding $500 in the case of any one donee.

(*e*) Property bona fide transferred for a consideration in money or money's worth, equivalent to the value of the property transferred.

(*f*) Securities of the Province of Saskatchewan.

(*g*) Proceeds of life-insurance policies made payable to the Provinicial treasurer for the purpose of paying succession duty, except as to any excess over and above duty itself.

(*h*) Resident class A beneficiaries of deceased domiciled in Province are not taxed in respect of estates up to $15,000.

(i) Any gift (either inter vivos or by will) made to Province and accepted by it.

(j) Whole value of any property passing to any one person not exceeding $300.

Avoidance of double taxation.[48]—In order to avoid payment of double duty by the beneficiary, certain reciprocal arrangements have been made between the Provinces, and with Great Britain and Ireland, and the United States. The schedule of agreements in force in 1932 is given below:

Alberta.—Ontario and British Columbia.

British Columbia.—Great Britain, Alberta, Manitoba, New Brunswick, Nova Scotia, Prince Edward Island, Quebec, Saskatchewan.

Manitoba.—Reciprocal arrangements may be entered into upon orders-in-council, but to date no such orders-in-council have been passed. No deductions are at present made for duties paid elsewhere.

New Brunswick.—Great Britain. Agreement may be applicable to any part of the British dominions, but so far only Great Britain has requested its application.

Nova Scotia.—Great Britain; no formal arrangements, but in practice allows amount of duties paid elsewhere to be deducted.

Ontario.—Great Britain, Prince Edward Island, Nova Scotia, Alberta, British Columbia.

Prince Edward Island.—Ontario.

Quebec.—Great Britain and Ireland.

Saskatchewan.—Great Britain and Northern Ireland.

Yukon Territory.—Ontario, and 37 States or Territories of the United States.[49]

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[48] Source: The Financial Post business year book, 1932, p. 151, except for Ontario. Orders-in-council for Ontario, dated Apr. 3, 1934, provide reciprocity as stated here.

[49] The 37 States or Territories of the United States which have reciprocal agreements with themselves and with Ontario and Yukon Territory are Alabama, Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Georgia, Hawaii, Idaho, Illinois, Iowa, Maine, Maryland, Massachusetts, Michigan, Mississippi, Missouri, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Ohio, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Vermont, Virginia, Washington, West Virginia, Wyoming.

3. STATISTICS [50]

Principal items of provincial taxation, 1930–31

Province and year		Taxation of corporations, land, etc.	Succession duties	Motor vehicles	Gasoline tax	Amusement and race-track meetings
Prince Edward Island	1930	$248, 201	$25, 946	$145, 996	$141, 059	$7, 684
	1931	232, 524	11, 640	136, 075	151, 128	8, 167
Nova Scotia	1930	862, 230	311, 720	996, 104	810, 508	183, 125
	1931	876, 842	256, 415	1, 133, 759	870, 073	180, 532
New Brunswick	1930	497, 561	198, 982	874, 998	650, 808	110, 247
	1931	504, 711	293, 941	864, 823	693, 587	97, 863
Quebec	1930	4, 402, 551	5, 294, 274	5, 424, 537	3, 972, 039	(1)
	1931	3, 983, 883	6, 697, 262	5, 412, 980	4, 405, 160	(1)
Ontario	1930	4, 021, 082	11, 229, 439	5, 446, 759	10, 756, 836	3, 128, 599
	1931	5, 476, 921	9, 504, 814	5, 516, 671	10, 950, 645	2, 590, 106
Manitoba	1930	2, 606, 009	1, 033, 564	1, 152, 451	763, 834	436, 933
	1931	2, 098, 351	452, 023	1, 121, 049	1, 184, 753	352, 879
Saskatchewan	1930	3, 048, 475	468, 893	2, 017, 630	981, 907	44, 357
	1931	2, 506, 295	323, 007	1, 884, 486	1, 918, 833	36, 966
Alberta	1930	2, 478, 650	897, 302	2, 023, 414	1, 793, 252	396, 844
	1931	2, 211, 166	552, 767	1, 693, 757	1, 931, 603	290, 257
British Columbia	1930	8, 388, 258	836, 637	2, 239, 418	1, 086, 347	463, 679
	1931	8, 222, 544	558, 790	2, 188, 975	1, 753, 285	418, 130
Totals, all provinces	1930	26, 553, 017	20, 296, 757	20, 321, 307	20, 956, 590	[1] 4, 771, 468
	1931	26, 113, 237	18, 650, 659	19, 952, 575	23, 859, 067	[1] 3, 974, 900

[1] Revenues from amusement taxes and race-track meetings, collected by municipalities under public charities fund, not separable: Provincial Government's share is treated as extraordinary revenue in Quebec and Ontario.

[50] Source: Canada Year Book, 1933, p. 854. For additional data on provincial taxation see the public accounts of the several provinces.

APPENDIXES

Appendix I

LIABILITY OF GROUP INSURANCE

RULING OF THE COMMISSIONER OF INCOME TAX NO. 33 [1]

Where an incorporated company, among other inducements to its employees to serve the company, has in force or puts in force group insurance, the premiums paid by the company will be allowed as a deduction in arriving at its taxable income and the proceeds of the policy received by the employee's beneficiary on the death of one of the insured employees of the group shall not constitute taxable income of the beneficiary.

The premiums paid by the company on group insurance, being an added inducement to the employees as a group to serve the company, is, from the company's point of view, an expense necessarily incurred for the satisfactory carrying out of the conduct of the company's business and are therefore regarded as not falling within the disallowance provided by section 6 of the act, reading:

"In computing the amount of profits or gains to be assessed, a deduction shall not be allowed in respect of (*a*) disbursements or expenses not wholly, exclusively, and necessarily laid out or expended for the purpose of earning the income."

Further, "income", as defined, excludes as taxable income "The proceeds of life-insurance policies paid upon the death of the person insured", and consequently the proceeds when received do not constitute taxable income.

Premiums that are not allowed are those paid by companies on the life of an officer, employee, or other individual financially interested in the company's business when the premium is paid not for the purpose of inducing employment in the company or continuance of employment in the company, but for the protection of the company from loss in the event of death of the officer or employee insured.

The foregoing would apply to partnerships but by virtue of the immediately preceding paragraph is deemed to exclude the partners themselves, notwithstanding that the proceeds may be payable to the partners as employees.

Appendix II

DEPRECIATION OF ASSETS

RULINGS OF THE COMMISSIONER OF INCOME TAX

(NO. 6 1927–28) [2]

For your guidance the following instructions are issued:

1. (*a*) In regard to assets acquired prior to the commencement of the 1917 fiscal year of the taxpayer, the value thereof as already admitted by the department shall be the value for the purpose of depreciation.

(*b*) In regard to assets acquired subsequent to the commencement of the 1917 fiscal year of the taxpayer, the value thereof to be admitted for the purpose of depreciation shall be the cost as determined by the Department.

2. Where depreciation reserve accounts have been established at the commencement of the fiscal year ending in 1917 the amount thereof shall be deemed to be the depreciation sustained to that date and shall be added to by the amount of depreciation allowed since. You are reminded to insure the accuracy of the asset values and depreciation reserve accounts which may not necessarily be the amounts shown in the books of the taxpayer. Taxpayers must set up the reserves in their ledgers or must keep a record in a subsidiary ledger or book of accounts.

[1] Canadian Chartered Accountant, Nov. 1928, pp. 187–188.

[2] Memorandum of the Commissioner of Income Tax, dated July 28, 1927 (Canadian Chartered Accountant, Nov. 1928, pp. 182–184).

3. Failure to charge depreciation in a period or in periods in which there is no taxable profit is not to be considered as a reason for a charge for postponed depreciation being allowed against future profit-earning periods; consideration will be given, however, for depreciation which could have been but was not allowed or written off in periods for which income tax has been paid to this department, provided the depreciation so claimed does not exceed the amount of the taxable profits of the period or periods for which depreciation was not previously allowed or written off. The intention herein is to allow the life of the asset to be extended so that the depreciation to which the taxpayer is entitled may later form a charge against taxable income. To obtain this benefit the asset must still be in use. Current depreciation, together with postponed depreciation, will not be allowed in the same taxable period.

4. Using the foregoing as a basic principle, the usual depreciation rates on such accepted values will be allowed until the amount of the reserve for depreciation, as above determined, is equal to the asset value, after which no further depreciation shall be allowed in respect thereof.

5. While the foregoing is laid down as a general guide for inspectors, discretion in regard to the application hereof is specifically reserved to the "administration" in order that the merits of any particular case may be had regard to.

Depreciation

	Percent
Buildings:	
Frame	5
Brick or stone	2½
Reinforced concrete	2
Machinery, plant, etc	10
Farm and threshing machinery	10
Furniture and fixtures	10
Medical and professional instruments and books:	
Instruments and books	10
X-ray equipment	20
Motor cars:	
First year up to	25
Second year up to	20
Third year up to	20
Fourth year up to	20
Ships and wooden vessels:	
1 classed	6
2 fishing	8½
B. steel vessels:	
Steam	4
Sailing	3
Wharfs and docks:	
Permanent	3
Temporary	7½–10
Horses and wagons	10
Motion-picture theaters:	
Furniture	20
Carpets	33⅓
Draperies	33⅓
Uniforms	50
Projection equipment	20
Stage equipment	33⅓
Office equipment	10
Pianos and organs	20
Electric fixtures, bulb signs, frames, stationery, antiques, etc	20

No. 42 (1928–29) [3]

The Department has been giving consideration to the question of depreciation in periods in which a taxpayer has no taxable income. It has been found that in many cases the taxpayer's operations have not resulted in a profit owing to the fact that his plant has not been employed to the utmost of its capacity, and in such cases it can be deduced that the plant has not suffered depreciation to the same extent as when operated at the maximum.

[3] Memorandum of the Commissioner of Income Tax, supplementing and to be read in co the memorandum of July 28, 1927 (National Revenue Review, Feb. 1929, p. 14).

For this and other reasons the Department has come to the conclusion that some consideration should be given to taxpayers whose operations in any year have resulted in a loss, or where there is no taxable profit. Accordingly, commencing with the taxation year 1928, you are advised that in such cases the following ruling will apply.

1. Fifty percent of the normal depreciation allowance will be deemed to have accrued in the periods where no taxable income results, and such 50 percent rate will be taken into account for taxation purposes even though the taxpayer may not have made any charge for depreciation in his accounts during such period.

2. If a taxpayer has claimed and charged the maximum depreciation in his books, the consideration given in the preceding clause will only be extended in the event of the taxpayer adjusting his books to agree with the Department's allowance of 50 percent.

No. 19 (1930-31) [4]

To properly comply with memorandum of July 28, 1927, it is necessary to segregate the depreciable assets and depreciation reserves applicable thereto as at January 1, 1917, or the beginning of the first taxation period, plus subsequent additions, into their respective classes as hereinafter referred to and thereafter depreciation should be allowed on the cost of assets as determined in accordance with the memorandum until the total of (1) the depreciation reserve as at January 1, 1917, or the commencement of the first taxation period, plus (2) depreciation allowed in taxable periods, plus (3) depreciation sustained but not written off in nontaxable periods, less depreciation included in reserves in respect of assets disposed of or no longer used in the earning of income and whose cost has been deleted from the total cost upon which depreciation is calculated, equals the admitted cost of the class of assets covered. Prior to such time it is not necessary to specify any portion of any class of asset as having been fully depreciated, but each class of asset will be depreciated as a whole irrespective of when certain portions thereof may have been purchased.

When the depreciation reserve equals the admitted cost of the asset, depreciation will from such time be calculated on the cost of additions only. If the reserve in respect of additions ever reaches the admitted cost of the additions, depreciation will only be calculated on admitted cost of subsequent additions. Care must be taken to see that taxpayers do not by means of slightly reducing the normal charge for depreciation in any year achieve the result of never having the reserve equal the asset and thus claim depreciation on the full cost of asset each year instead of on additions only, which latter would be the case if normal depreciation were charged each year.

Where a company or an individual carrying on business has not charged full depreciation in a period in which a profit was realized as determined by the Department for income-tax purposes (before deduction of statutory exemption) and such period cannot be reopened on account of the lapse of time, depreciation sustained but not written off or allowed for income-tax purposes, up to the extent of the profit so realized, will not be regarded as applicable to such period but will be allowed as a deduction in a subsequent taxable period as set out in the ruling of July 28, 1927. With this exception the full depreciation applicable at usual rates will be deemed to apply to all taxation periods up to 1927, inclusive. For 1928 and subsequent years 50 percent only of the normal depreciation will be deemed to have been incurred in certain cases as covered by memorandum of January 4, 1929.

It will be understood that such assets as buildings on which a low rate of depreciation applies, must be classified separately from machinery and equipment, but that generally it will not be necessary to distinguish between classes of buildings and classes of machinery and equipment although rates applicable to certain assets within a class may vary to a certain extent. Such equipment as automobiles, motor trucks, etc., on which high rates of depreciation are allowable should not be combined with ordinary machinery and equipment on which 10 percent is allowed.

A depreciation schedule giving effect to the foregoing should ultimately be supplied with each file where applicable. Schedules should be submitted with 1929 returns in all cases where it appears that the margin for further depreciation allowance is small. Where there is obviously still considerable depreciation allowable the preparation of the schedule may be postponed until such time as the more urgent cases have been dealt with.

[4] Memorandum of the Commissioner of Income Tax, dated June 30, 1930 (Canadian Chartered Accountant, July 1930, p. 38-39).

If on the preparation of the schedule it is shown that some class of asset has been overdepreciated while others have still some margin left, the excess depreciation may be transferred to apply against the assets not fully depreciated.

No. 77 (1930–31) [5]

It has been ruled that—

(*a*) Where part of the income of an estate is accumulating in trust and part paid out to beneficiaries, the depreciation allowance shall be divided or apportioned between the beneficiaries and the trustee according to their interests in the income of the estate;

(*b*) Where there is a definite and annual payment to be made to annuitants or legatees the annuitant or legatee would be taxable in full without allowance for depreciation. This raises the distinction as between beneficiaries entitled to the income of the estate depending upon whether the income is had or not and the amount thereof.

NO. 1. RE: WEAR AND TEAR ON AUTOMOBILES AND MOTOR TRUCKS [6]

Cases have arisen from time to time in which claims are made for a greater allowance than as presently prescribed as a deduction from profits for wear and tear of automobiles and motor trucks used exclusively in the businesses of manufacturing, transportation, merchandising, and commercial concerns of a general nature. The grounds of complaint in most cases are similar and refer generally to various forms of rough usage to which cars are subjected; consequently, new cars have to be purchased before the full value of the old car is fully depreciated on the books of the concern.

As a result, it has now been decided to modify the rates heretofore allowed and to institute a more even spread of the useful life of automotives, notwithstanding any ruling to the contrary contained in circular no. 20, or other instruction issued by this department relating to depreciation.

The following rates in regard to all cases so far not disposed of are effective:

For the first year a rate may be allowed up to 25 percent on the cost price, and thereafter a rate of 20 percent in each year up to 85 percent of the total cost, when the question of further writing off will be reconsidered.

Where, in any case, the depreciated value at any time is more or less than the sale price or exchange value, then the difference is to be considered as an addition to or a deduction from the revenue in the year of the sale or exchange.

It is considered desirable to emphasize that the allowance herein granted is purely to cover the loss arising through depreciation by wear and tear, and you will require to exercise care that changes in style or market values as a cause for loss in value are not to be confused therewith.

Appendix III

RULING OF THE COMMISSIONER OF INCOME TAX ON DOUBLE TAXATION [7]

Income tax paid to Great Britain or any of its self-governing colonies or dependencies, or to foreign countries having reciprocal legislation, as provided by section 8 (which includes the United States), will only be allowed as a deduction against Canadian income tax upon proof being furnished that the correct tax has been paid upon the amount of income taxable in excess of exemptions and deductions applicable. Where proof is furnished that income tax has been paid and is not refundable, such tax will be allowed as a deduction against Canadian income tax up to but not exceeding the amount of Canadian income tax on the net income from sources within the country to whch the tax has been paid. The amount of Canadian income tax on income from sources outside of Canada will for 1928 and subsequent years be deemed to be that proportion of the Canadian income tax on income from all sources which the net income from sources outside of Canada taxable in Canada (computed without deduction of income tax) bears to the total net income taxable in Canada (computed without deduction of income tax).

[5] Memorandum of the Commissioner of Income Tax (Canadian Chartered Accountant, May 1931, p. 363).
[6] Memorandum of Commissioner of Income Tax (Canadian Chartered Accountant, Nov. 1928, p. 182).
[7] National Revenue Review, Mar. 1929, p. 5.

Simplified, the foregoing means that if one-half of the net income taxable in Canada is derived from sources within Canada, and the other half from sources within the United States, one-half of the Canadian income tax will be the maximum allowance in respect of income tax paid in the United States on income derived from sources therein. Similarly if one-third of the net income was derived from sources within Canada, United States, and Great Britain, respectively, one-third of the Canadian tax would be the maximum allowance in respect of income tax paid to the United States and one-third would be the maximum allowance in respect of income tax paid to Great Britain. If a lesser amount was paid, such lesser amount only would be allowed.

In cases where the income taxable in Canada is not identical with income taxed by the government of the country from which the income was derived, full particulars should be forwarded to head office for decision when submitting assessment for approval.

Copies of returns, where such have been filed with other governments, or full details of income and deductions, together with official receipt showing tax paid, are required to be filed in support of claim for allowance of tax paid. Where tax has been withheld at source in the United States, and it is not necessary for the recipients to file returns in the United States, a statement from the Commissioner of Internal Revenue, Washington, D.C., showing the amount and nature of income taxed, exemptions allowed, and amount of tax withheld, will be accepted as proof of such withholding.

APPENDIX IV[8]

CHART OF INCOME-TAX FORMS TO BE FILED BY CANADIAN TAXPAYERS WITH THE INSPECTOR OF INCOME TAX IN THE DISTRICT IN WHICH THEY RESIDE

Form used by—	Description of form	Nature of form	Date on which to be filed	Penalty
Individuals; Farmers and ranchers.	T. 1; T. 1A	Income received for the calendar year.	On or before Apr. 30 in each year.	5 percent of amount of tax (maximum $500).
Corporations	T. 2	Income received for the fiscal period.	Within 4 months from close of fiscal period.	5 percent of amount of tax (maximum $500).
Corporations	T. 5	Dividends and bonuses paid in cash or capital stock during calendar year.	On or before last day of February in each year.	$10 for each day in default (maximum $50).
Corporations	609	Interest paid on fully registered bonds and debentures during year.	On or before last day of February in each year.	$10 for each day in default (maximum $50).
Trustees	T. 3	Incomes of estates for calendar year administered by executors, administrators, agents, and assignees.	On or before last day of February in each year.	$10 for each day in default (maximum $50).
Employers	T. 4	Salaries and wages of $1,000 and over paid during calendar year.	On or before last day of February in each year.	Minimum $2; maximum $50.

TAXES TO BE WITHHELD AT SOURCE

Form used by—	Description of form	Nature of form	Date on which to be filed	Penalty
Corporations, associations, Dominion and Provincial Governments, municipalities, religous and charitable institutions and, in short, those persons who may be under obligation to pay interest, dividends, rentals and royalties.	700	Remittances and particulars of 12½ percent tax deducted from rentals paid or credited to nonresidents.	Within 1 week next succeeding the week payment has been made or credited.	$10 per day (maximum $50). See note below.
	701	Remittances and particulars of 12½ percent tax deducted from royalties paid or credited to nonresidents.	Within 1 week next succeeding the week payment has been made or credited with the inspector of income tax at Ottawa.	$10 per day (maximum $50). See note below.
	603	Remittances and particulars of 5-percent tax deducted from dividends and interest.	At the time of payment of the dividend or interest.	See note below.

NOTE.—The debtor is liable: (*a*) for failure to *deduct*, for the tax with interest at 10 percent per annum; (*b*) for failure to *remit*, for a further penalty of 10 percent of the amount collected or withheld together with interest at 10 percent per annum until paid.

[8] Source: National Revenue Review, Mar. 1934, p. 11.

Appendix V

NUMBER OF INDIVIDUAL TAXPAYERS AND AMOUNT PAID BY INCOME CLASSES, 1932–33 [9]

The accompanying chart shows the various individual income classes of residents of Canada from whom income tax is collected. It is compiled on the tax collected during the fiscal year ending March 31, 1933, and relates in the main to income received by the taxpayer in the calendar year 1931.

It is to be observed that the chart indicates the income and classes from under $2,000 progressively to over $50,000, the number of taxpayers in and the amount paid by each class, while by reference to the vertical columns the percentage number of taxpayers in each class to the whole, also the percentage of payments by the same class to the total payments may be obtained.

The total number of individual taxpayers in the year referred to was 166,972 and the total paid by them $25,959,465.54. Thus it will be seen that the income class under $2,000 numbering 63,276, representing practically 38 percent of the total taxpayers, contributed $416,776, which is apparently 1⅗ percent of the total amount paid by individuals.

On the other hand, at the foot of the chart it will be seen that there were 390 taxpayers (or less than one-quarter of 1 percent of the total) with incomes over $50,000, who contributed $9,032,358 (an average of $23,160 each) or better than 34¼ percent of the total payments.

Similar information is readily available covering the other classes by reference to the chart.

Appendix VI

REGULATIONS GOVERNING THE COMPUTATION OF THE SALES TAX [10]

In respect of goods subject to consumption or sales tax sold by retail by the manufacturer or producer thereof in Canada, the value of the goods for purposes of the tax will be determined by the Minister of National Revenue in each class of cases.

In respect of goods subject to consumption or sales tax, sold to retailers only, by the manufacturer thereof in Canada, the wholesale price for purposes of transfer by the manufacturer to his wholesale branch(es) will be determined by the Minister of National Revenue in each class of cases.

In respect of goods subject to consumption or sales tax sold or transferred by the manufacturer or producer thereof in Canada, to his own wholesale houses, the value for purposes of the tax shall not be less than the wholesale price.

The "wholesale price", for purposes of this regulation, shall be the price at which the goods are regularly sold in the ordinary course of business to bona fide independent wholesalers.

In cases where vendor and purchaser are interrelated, associated, or affiliated concerns, or where one is subsidiary to the other, the price at which the goods are regularly sold to bona fide independent wholesalers by either of them, in the ordinary course of business, shall be the value upon which the tax is payable.

If a manufacturer accounts for tax on the transfers of his products from his factory to his unlicensed wholesale branch(es), the value at which the said products are transferred for sales-tax purposes shall not in any case be less than the cost of production of the goods, including overhead, plus a reasonable profit thereon, notwithstanding any discount which may have been fixed by the Minister as applicable to the class of goods in question by virtue of existing regulations.

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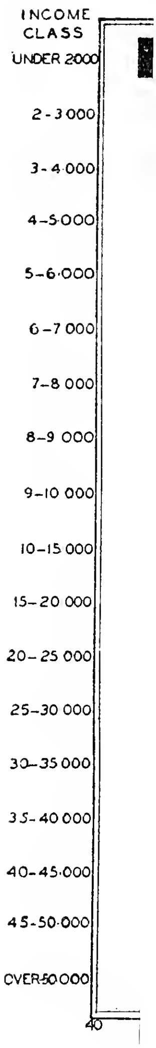
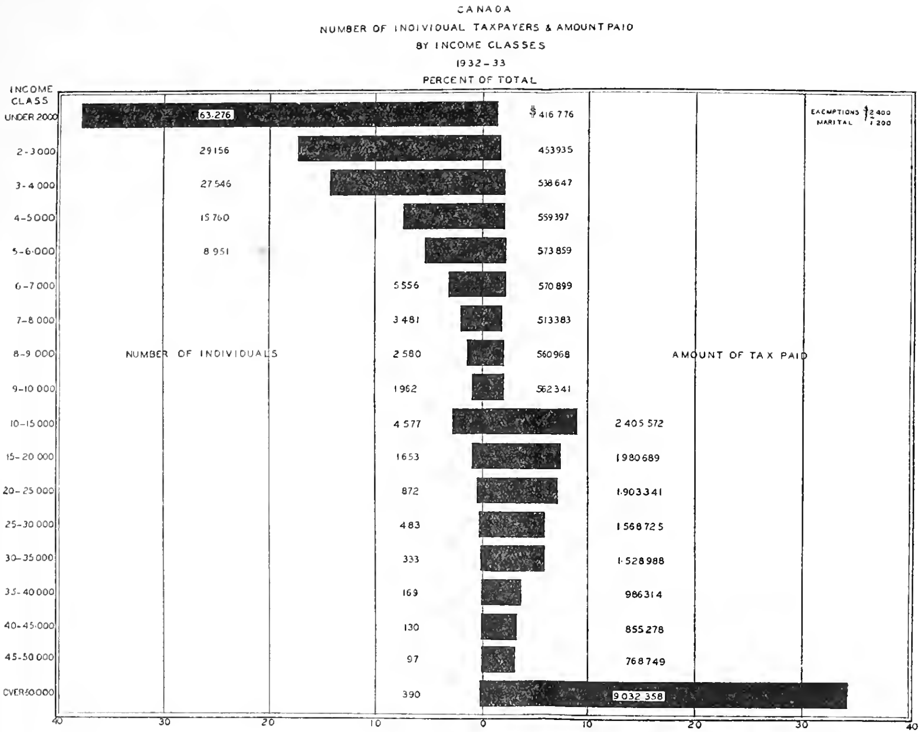
[9] Source: National Revenue Review, Mar. 1934, p. 13.

[10] Regulations, Department of National Revenue, Canada, Excise Division. These regulations are effective on and after June 1, 1929. Ottawa, 1931, p. 9–10.


INCOME CLASS
UNDER 2000
2-3 000
3-4 000
4-5 000
5-6 000
6-7 000
7-8 000
8-9 000
9-10 000
10-15 000
15-20 000
20-25 000
25-30 000
30-35 000
35-40 000
40-45 000
45-50 000
OVER 50 000
40



75261—34. (Face p. 98.)

If a manufacturer accounts for tax on the transfers of his products from his factory to his unlicensed wholesale branch(es) and deducts the discount fixed by the Minister as applicable to that class of goods, the discount so fixed includes all other discounts of any nature whatsoever, i.e., no cash, quantity, or other special discounts may be deducted from the list prices of the goods in addition to the discount fixed by the Minister.

The preceding paragraph applies to all classes of goods where discounts being used are those fixed by the Minister as applicable to such classes of goods, and does not apply to those cases where manufacturers are transferring their goods to their wholesale branch(es) at wholesale prices fixed by regular sales to bona fide independent wholesalers in the ordinary course of business.

Appendix VII

EXCERPTS FROM THE ANNUAL BUDGET STATEMENT FOR 1934–35 READ BY THE MINISTER OF FINANCE IN THE HOUSE OF COMMONS, APRIL 18, 1934 [11]

Ways and means, 1934–35.—With higher prices and expanding volume of business, the outlook for the revenues in the current fiscal year is distinctly favorable. A substantially increased income over the past year is assured even with only a maintenance of the gains already made and there are indications that the upward movement is being continued. The collections in the first 2 weeks of April have been most reassuring. As the ordinary expenses of government have been kept closely to the amount disbursed last year, and as there is ground for expecting a substantial reduction in the requirements for unemployment relief and railway deficits, it seems reasonably clear that we can anticipate a greatly improved budget position without adding to the existing rates of taxation. The taxation proposals therefore are not extensive.

Tax on gold.—To replace the revenue lost by the reduction in the tax on sugar, it is proposed to levy a tax of 10 percent on gold. In this connection one must keep in mind the fact that since our abandonment of the gold standard, the price of gold in Canadian currency has risen from $20.67 an ounce to approximately $35. This is an increase in the selling price of the product of our gold mines of about 70 percent. Furthermore, the extraordinary increase in the profits which accordingly accrue to gold producers finds its origin in circumstances entirely external to this particular industry. That is to say, the reason for this increase in price is to be found in the chaotic conditions of world currencies, the depreciation of our dollar in the foreign exchanges and the devaluation of gold by certain countries.

The proposed 10-percent tax will be deducted from the proceeds of all gold deposited at the mint for sale. On such gold as is unacceptable for treatment at the mint and is exported, the tax shall be collected under regulations to be made by the governor in council. In order that the tax shall not apply when the conditions giving rise to these fortuitous gains accruing to gold producers have to a degree disappeared, it is provided that the tax shall not operate to reduce the amount paid for gold below $30 an ounce in Canadian currency. In view of the tax the present handling charge incidental to the disposal and sale of the gold will be discontinued.

In announcing this tax, it is perhaps expedient that I suggest in advance a partial view of the circumstances which I believe make this form of tax more desirable than any alternative form which suggests itself, such as, for example, an excess profits tax on gold producers. This aspect of the matter has received the most careful consideration and we are convinced that whilst a tax designed to reach excess profits has certain advantages, the form of the tax as proposed is, on balance, best adapted to meet our particular situation.

For example, you are aware that many of our mines in Canada in the process of producing gold, produce other metals as well, and that in some other mines where base metals are the major products, considerable gold is recovered in the process. The difficulty which would arise in such cases in the levying of an excess profits tax would be that of determining for taxation purposes the profits due to the increase in the price of gold. The proposed tax avoids this difficulty. It may also be emphasized that the tax will be extremely simple in administration

[11] House of Commons, Debates, official report (unrevised edition), vol. LXX, no. 53, Apr. 18, 1934, pp. 2452–2492; no. 63, May 2, 1934, pp. 2931–2983.

and can be collected with a minimum of cost. An excess profits tax, on the other hand, would necessarily be more complex and would involve additional expense and administrative machinery. Furthermore, the present tax will immediately return substantial revenue, while a tax on profits, unless made retroactive, would not provide additional revenue for the current year.

Against the contention that the proposed tax will injure the gold mining industry, it can be asserted that little if any of our production is obtained at present on such a narrow margin of profit as to be vitally affected by the proposed tax. Also, there is reason to believe that many of the recently discovered bodies of ore are such that profits would be realized even if the price of gold were at the usual $20.67 level, the price under which, I may point out, we attained the position of second largest gold producing country in the world.

Finally, it is believed there can be no legitimate objection to a tax which will operate merely to establish a market price for gold of approximately $31.50 an ounce fine under present conditions, especially when it is remembered that the average price received by our gold producers during the last calendar year was only $28.72 an ounce. This was a year, as you are aware, of great prosperity in the industry and of intense activity in the exploration and development of gold mining properties.

On May 2, 1934, in the House of Commons, the Prime Minister made the following statement relative to the proposed tax on gold:

Right Hon. R. B. Bennett (Prime Minister): Mr. Speaker, with the permission of the House I should like to make a short statement before we adjourn. In view of the general misunderstanding that apparently has arisen regarding the tax imposed on gold by the budget statement delivered by the Minister of Finance (Mr. Rhodes) a few days ago I think it desirable to make a statement which will clarify the situation.

The Minister indicated that it was essential for him to raise by taxation approximately the amount of revenue lost by reducing the tax on sugar to 1 cent per pound, and he stated that he proposed to obtain from the gold producing companies that sum, which would be imposed in the budget for the current year.

The Government of the Province of Ontario protested against the imposition of the tax; Hon. Charles McCrea, Minister of Mines, has been in Ottawa for several days. In some quarters it was asserted that such a tax was an infringement upon the taxing powers of the Provinces. I think that view may be disregarded, inasmuch as clause 3 of section 91 of the British North America Act provides that the exclusive legislative authority of the Parliament of Canada extends to the raising of money by any mode or system of taxation. The Ontario Government further suggested that the tax imposed in the manner indicated was in the nature of a royalty, which, it was submitted, could be imposed only by the Province. For the reasons stated this contention could not be accepted. Mr. McCrea, as the Minister of Mines for Ontario, arranged that representatives of the gold-mining interests of that Province and others should meet the Minister of Finance and myself. The representatives of the gold-producing companies expressed their willingness to assist in any reasonable way the Government of Canada in balancing its budget, but pointed out that they were already subjected to very heavy taxation. We then pointed out that the price of gold for the year 1932 had averaged over $23 per ounce while the statutory price was only $20.67 per ounce, the added price being attributable, mainly or wholly, during that year to the premium on American money in Canada. In 1933 the average price received by the gold producers was $28.72 per ounce, which represented an average of $8.05 per ounce more than the statutory price of $20.67 per ounce. During the early months of the year the price received was less than $28, but when the President of the United States announced that the Republic would buy all new gold at a price of $35 per ounce the result was that since that date the price of gold has approximated $35 per ounce.

The present premium on the price of gold is an unearned increment arising out of economic conditions and the monetary action taken by the United States of America as well as by the Dominion of Canada. We therefore indicated that, rather than have any question of provincial rights or royalties at issue between the Dominion and the Provinces, or any foundation being afforded for the suggestion that the Dominion was interfering in the field of provincial taxation, we would substitute for the proposals of the Minister a tax on the unearned increment of 25 cents out of every dollar received from the sale of gold by dividend-paying companies in excess of the statutory price of $20.67 per ounce until May 31, 1935, and, in view of the high tax thus imposed, permit the corporation income tax paid by the dividend-producing companies in 1934 to be credited

against the tax on the unearned increment and thus avoid the charge that the Government was imposing double taxation on the gold industry. The second question alluded to the low-grade ore found in large quantities throughout Canada and the development of which the present high price of gold had greatly stimulated, resulting in great activity in prospecting, the employment of large numbers of people, and expenditures of large sums of money. With respect to low-grade properties no special tax will be imposed until they become dividend-producing properties, nor will the tax be imposed upon any company that was not paying dividends prior to the first of January 1933, and which is now paying dividends. In no event is it proposed to tax unearned increment arising from the sale of gold when the price is $30 or less, as stated by the Minister.

It will be a matter of satisfaction to the House and to the country to know that when we met the representatives of the gold-producing mines and indicated to them clearly why the tax was imposed they expressed a most sympathetic appreciation of the financial situation, and although the large dividend-paying mines, few in number, must pay the tax, they accepted the proposed method of 25 cents on the dollar of the premium payable on gold as not unfair. The tax does not in any event contemplate the taxation of the production of placer mines.

Mr. Mackenzie King. May I ask the Prime Minister a question which arises out of the statement he has just read? He has referred to the representations made by the Minister of Mines for Ontario. I observe in the press that representations were made to the Government by the Provinces of British Columbia, Nova Scotia, and Quebec. Were those representations not considered? May I ask him further whether any representations were made by his own Minister of Mines?

Mr. Bennett. With respect to the questions the right honorable gentleman has asked, may I say that the only formal presentation of the case for the Provinces was made by the honorable Charles McCrea. There were statements appearing in the press, but they were directed to the populace and not to the Government, and it cannot be said therefore that we received any formal representations, except as indicated. The federal Minister of Mines expressed his opinion, as did all other members of the council, with respect to the matters affected. May I thank the honorable member for Ontario (Mr. Moore) for affording me the opportunity to make this statement before 6 o'clock.

Mr. Woodsworth. Would the Prime Minister indicate how the revenue raised under the proposed tax would compare with that under the first arrangement?

Mr. Bennett. The difference would be very small, depending entirely upon two factors. One would be the price at which gold was sold, as I have indicated, which would determine, of course, the extent of the unearned increment, and secondly, the extent to which gold was produced. If the gold is produced to the extent it was last year, or thereabouts, it is only a matter of arithmetic to point out to the honorable member that if the price was $35 the difference between $20.67 and $35 is $14.33. One-fourth of that is about, as will be observed, $3.58, whereas 10 percent of $35 is $3.50, which is less. The difficulty is that with respect to the lower-grade properties it might be the taxation of a deficit, and therefore they are eliminated, which may mean some loss of revenue, but to that extent only.

Mr. Hanbury. Before the Prime Minister takes his seat, may I say that I did not understand thoroughly the statement he made. Is it possible that the taxation on unearned increment will be greater than the income tax in all cases, or whether the tax will be a larger amount, whichever it may be.

Mr. Bennett. I need hardly say that that question cannot arise, but that in no event can the income tax—12½ percent of 50 percent of the profits, which is the income tax against gold companies—amount to anything of that sort. If that were the case, computations of managers of the mines would indicate payments under this plan of about $1,600,000, as against a slightly lesser sum under the other plan. But it will be observed that as this applies only to dividend-paying properties it is obvious there may be a diminution of the revenue because there is no tax to be taken from them unless and until they are dividend-paying properties, and if the price of gold falls to $30 an ounce there will be no revenue from it at all.

Revenues, 1934–35.—It is estimated that the total revenue for the current fiscal year will amount to $360,000,000, made up as follows:

Taxation revenue:	
Customs duties	$78, 000, 000
Excise duties	40, 000, 000
Income tax	61, 000, 000
Sales tax	72, 000, 000
Manufacturers,' stamp, importation, and other special taxes	55, 000, 000
	306, 000, 000
Nontax revenue:	
Post office	32, 000, 000
Interest on investments	11, 300, 000
Other sources	10, 700, 000
	54, 000, 000
Total	360, 000, 000

The ordinary expenditures for 1934–35 are estimated at $351,200,000. The anticipated revenue, therefore, will provide fully for these expenditures and leave a surplus of $8,800,000 to apply on capital and extraordinary expenditures.

While the demands upon the Treasury have not permitted any general lowering of the rate of taxation, it is felt that the reductions, remissions, and adjustments already outlined will have the effect of easing the burden in those cases where it has borne most heavily, and that the single increase in taxation will not result in undue, if any, hardships.

Dominion taxation revenues 1929–30 to 1933–34 [1]

[000 omitted]

	1929–30	1930–31	1931–32	1932–33	Estimated 1933–34
Customs import duties	$179, 430	$131, 209	$104, 133	$70, 073	$65, 926
Excise duties	65, 036	57, 747	48, 655	37, 834	35, 871
War-tax revenues:					
Banks	1, 408	1, 429	1, 390	1, 328	1, 345
Insurance companies	74	74	12	826	742
Delayed business profits	173	34	3		
Income tax	69, 021	71, 048	61, 255	62, 067	61, 399
Sales Tax	44, 859	20, 784	41, 734	56, 814	63, 000
Manufacturers', importation, stamp, transportation taxes, etc	18, 550	13, 951	17, 872	25, 377	43, 574
Total receipts from taxation	378, 551	296, 276	275, 054	254, 319	271, 857

[1] Source: House of Commons, Debates, official report (unrevised edition), Apr. 18, 1934, p. 2460.

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